PRIMAX

Primax Electronics Ltd.

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PRIMAX

Primax Electronics Ltd.

2015 Annual Report

1. Names, titles, telephone numbers and e-mail addresses of the Spokesperson and Deputy Spokesperson:
Spokesperson: Sean Lin / Title: Special Assistant to the Chairman / Telephone: 886-2-2798-9008 / E-mail: IR@primax.com.tw
Deputy Spokesperson: Cherryie Chen / Title: Investor Relation Manager / Telephone: 886-2-2798-9008 / E-mail: IR@primax.com.tw

2. Registered address and telephone of corporate headquarters
Registered address of corporate headquarters: No. 669, Ruiguang Road, Neihu District, Taipei City / Telephone: 886-2-2798-9008

3. Name, address, website, and telephone number of share registration and transfer agent
Name: SinoPac Securities / Address: 3F, No. 17, Bo'ai Road, Zhongzheng District, Taipei City / Telephone: 886-2-2381-6288
Website: http://www.sinopac.com

4. Names, address, website, and telephone number of the CPA, CPA firms retained for service in the most recent period
Names of CPAs: YUNG-HUA HUANG, CHI-LUNG YU / Name of CPA firm: KPMG Taiwan
Address: 68F., No.7, Section 5, Sinyi Road, Sinyi District, Taipei City / Telephone: 886-2-8101-6666
Website: http://www.kpmg.com.tw

5. Names of the exchanges in foreign countries where the stock of PRIMAX is listed for trading and the means for inquiry of the securities: No

6. Company website: http:// www.primax.com.tw

PRIMAX

I. Letter to shareholders

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I. Letter to shareholders

Ladies and Gentlemen:

Notwithstanding of the severe market challenges around the world, the consolidated revenues and profits of Primax group kept growing to a record high in 2015, mainly because of its diversified product portfolio, solid customer base, and continuous investments in new technology. New products were launched from different business units and new facilities were initiated successfully. In PC segment, the growth momentum came from more high-end products and different human machine interface applications, such as NB trackpads and gaming peripherals. In non-PC segment, on the other hand, the camera module business was growing because of increasing demands for high-end cameras and adoptions of OIS (Optical Image Stabilization). At the same time, audio products also enjoyed stable growth through new business developments and promising project deliveries. Non-PC segment has become Primax's growth engine, driven by camera module and audio business. Aside from the revenue growth, Primax continues its efforts to manage costs and expenses in order to protect profits and to maximize total return to shareholders.

The following is the operation highlight of Primax in 2015

1. 2015 Financial Performance

(1) Financial Results

The consolidated revenues of Primax group in 2015 amounted to NT$65,589,293 thousand, an increase of 26% over 2014. The consolidated net income amounted to NT$1,816,935 thousand, an increase of 13% over 2014.

(2) Budget Execution

It is not applicable, since no financial forecast was published in 2015.

(3) Cash Flow Analysis

Unit: NT$1,000

Item	2015	2014	Net change
Net cash inflow (outflow) from operating activities	5,022,351	3,354,195	1,668,156
Net cash inflow (outflow) from investing activities	(1,974,604)	(3,756,779)	1,782,175
Net cash inflow (outflow) from financing activities	(2,227,894)	2,279,602	(4,507,496)

(4) Profitability Analysis

Item	2015	2014
Return on Equity (%)	15.65	18.03
Operating Income to paid-in capital (%)	49.14	42.10
Profit before tax to paid-in capital (%)	56.05	47.11
Net Profit Margin (%)	2.77	3.08
Earnings per share (NT$)	4.06	3.57

(5) R&D Investments

Primax group spent NT$2,104,487 thousand on research and development in 2015. This investments were mainly for new product and new technology developments, as well as manufacturing process improvements, mainly automation.

2. 2016 Business Strategy and Technology Developments

Focus on the IT industry's continuously moving towards the development of cloud technology, mobile devices, digital home, and the Internet of Things (IoT), Primax will continue its efforts to the research and development of core technologies such as touch, fingerprint module, backlight keyboard, wired/ wireless audio products, and packaging process of high-end camera modules. In addition, Primax will actively develop new products to optimize the product profile and therefore support both top line and bottom line growth.

In terms of the sales development strategy of our two business segments, for PC segment, Primax seeks to continue the upgrade of product quality and the reduction of production cost, as the PC market is relatively mayure and fairly stable. At the same time, new application technologies will also be developed to align with market needs in peripherals for PC gaming and advanced touch products to support stable growth in this segment. For non-PC segment, including camera module, fingerprint module, multi-function printers, and wired/wireless audio products, Primax will reinforce the upgrade of R&D capabilities. With extended application of image products, camera feature migration for smartphones, and the evolution of acoustic technologies, Primax will continue to develop new products and technologies, such as high-end camera module, fingerprint module, and high-end audio systems and headphones. It's

not only to increase the market share, but also to leverage existing technologies for new products for different applications and platforms in the mid to long term. PC peripheralPC peripheralPC peripheralIn terms of production, the Phase Five building of the Dongguan Plant was completed in 2015 and has been successfully put into production that will become the Company's fully integrated automated audio products production center and it willsignificantly improve our capacity and efficiency. The Chongqing new plant upon its completion will be the main production base for PC peripheral products and will be extended to more automation process of human-machine interface products. It will also serve as the second largest production base of the Primax Group outside Dongguan, both to diversify the risk of single-site production and to improve the scale and efficiency.

3. Commitment to Sustainability and Corporate Social Responsibility

Primax will have the second CSR Report published this year. At the same time, this report will be prepared in accordance with the GRI G4 standards and will apply to SGS for certification in accordance with the AA1000 Type I high assurance level in order to demonstrate our commitment to sustainability and corporate social responsibility.

We believe that solid corporate governance is a priority in fulfilling corporate social responsibility. The substantive supervision and authorization by top management is the only way to have a sustainable and effective execution. Therefore, corporate governance is the first priority to Primax in the corporate social responsibility plan. We also set up a dedicated CSR office to handle the related tasks full-time, which will regularly report to the Board of Directors the strategies, action plans, and progress in order to ensure the implementation at all global operations bases.

The "People-oriented" belief is one of the core values of Primax. In addition to the "Healthy Workplace" to be continued this year, we have also planned the "Peace of Mind Workplace" and "Friendly Workplace" aiming for a higher level of employee care goal to provide employees with love, respect and a sense of belonging. These sensible employees welfare measures will help attract more talents to join the Primax family, to maintain the stability of the staff team and to support the Company's long-term strategic planning positively.

As a leading consumer electronics supplier, we expect ourselves to lead the industry and to preclude the use of toxic substances from a variety of consumer electronics products. We have eliminated most mercury and arsenic in our products and use lead-free raw materials. In addition, we have outlined the environmentally friendly objectives of "reducing energy consumption density and hazardous waste emission". The Company aims to achieve better energy efficiency with absolute strength and determination.

In addition to the annual reports, Primax will also continue to issue annual Corporate Social Responsibility Reports to regularly disclose non-financial operating results; also, refer to the feedback of stakeholders, learn from external experts and leading companies, and act to achieve sustainability

Chairman: Liang, Li-Sheng

General Manager: Yang, Hai-Hung

I. Letter to shareholders

Ⅱ. Company profile

1. Establishment date: March 20, 2006

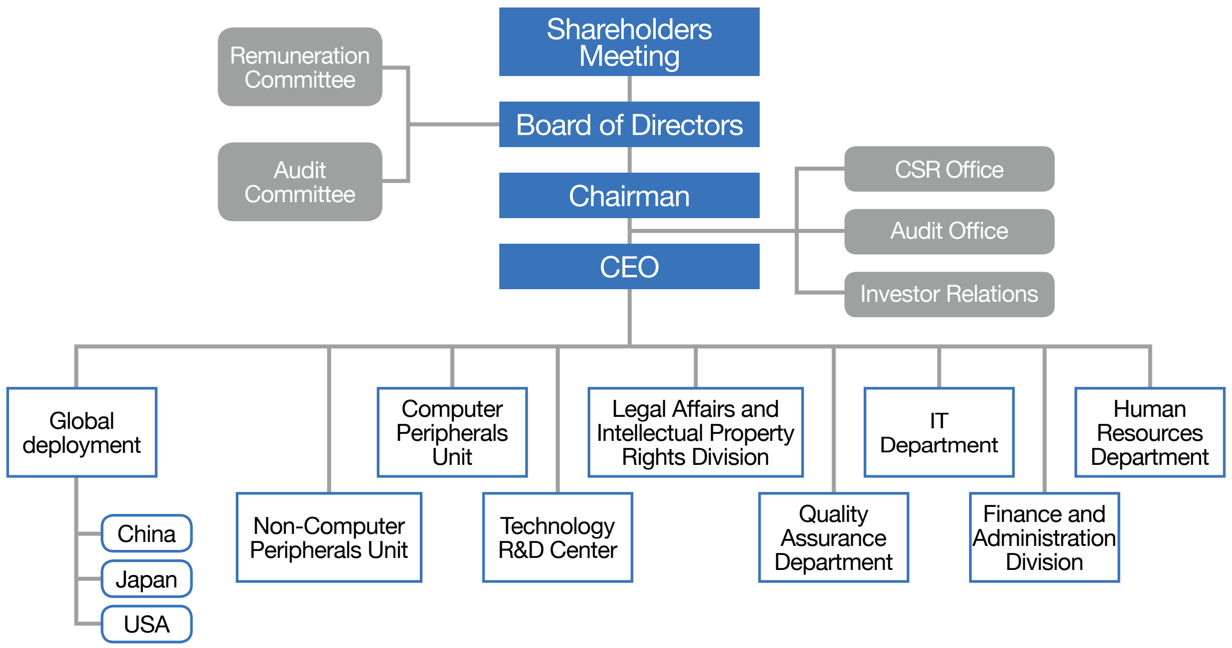
2. Company background:

- March 2006: The company was approved to establish on March 20 2006. Formerly titled as Primax Electronics Ltd., the company had initial capital of NT$1,000,000.
- October 2007: The company was renamed as Primax Electronics Ltd.
- December 2007: The company acquired PRIMAX Technology Co., Ltd. (hereinafter, former "PRIMAX"). The company remained the acquirer and former PRIMAX remained the acquiree.
- February 2008: The company renamed as PRIMAX Electronics Limited with Mr. Liang, Li-Sheng acted as the Chairman.
- December 2009: IPO of the company shares.
- December 2009: The company listed it stock for trading in the emerging stock market of Taiwan.
- December 2009: The Board of Investment, MOEA, approved PRIMAX to invest for the establishment of PRIMAX Kunshan Plant via a third place.
- February 2011: The Board of Investment, MOEA, approved PRIMAX to invest for the establishment of PRIMAX Chongqing Plant via a third place.
- October 2012: PRIMAX successfully listed its stock for trading at TWSE.
- October 2012: New capital of NT$235,290,000, raised by issuing new shares and made its stated capital amounting to NT$4,269,698,210.
- January 2014: PRIMAX successfully acquired 70% of the equity shares issued by speaker manufacturer Tymphany Group and made registration of change in shareholding.
- January 2015: PRIMAX successfully acquired 30% of the equity shares issued by automobile and aerospace precision machinery manufacturer, GLOBALTEK.

III. Corporate Governance Report

1. Organizational system

(1) Organizational Structure



(2) The business operations of each main department

Department	Main job responsibilities
Audit Committee	1. Supervising the adequate presentation of the Company's financial statements. 2. Supervising the commission (discharge) of the CPAs and their independence and performance. 3. Supervising the effective implementation of the Company's internal control. 4. Supervising the Company's compliance with the relevant laws and regulations. 5. Supervising the control of the Company's existing or potential risks. 6. Supervising the performance of the Company's internal audit department.
Remuneration Committee	1. Enact the policy, system and standard and structure of remuneration to the directors (including the Chairman), general manager, and vice general manager in accordance with the Company's objectives, operational performance and competitive environment, and has it reviewed as required. 2. Periodically assess the operational performance of the chairman, general manager, and vice general manager and approve the contents and amount of their respective salaries and compensation. 3. Assess and approve the welfare standard of the general manager and vice general manager.
CSR Office	The CSR Office is established by the Chairman with the authorization of the Board of Directors: 1. Responsible for enacting CSR policies, systems or related management approach 2. Assist each business and staff unit to promote and implement corporate social responsibility projects in response to the Company's economic, environmental and social issues 3. Study domestic and foreign benchmark enterprises' best practices of business sustainable practices and provide advice and guidance to the relevant departments for practice in order to continue to strengthen the Company's competitiveness of its sustainable operations
Audit Office	Review and audit the implementation of the internal control system, and regularly report it to the Board of Directors and management, and measure operational efficiency with recommendations for improvement suggested in a timely manner in order to ensure effective implementation of the internal control system and to improve the effectiveness of the overall organization
Investor Relations	A spokesman system and operation, investor relations activities and opinions process, external information disclosure, and media publishing and contact related business
Quality Assurance Department	1. Quality system planning and supervision 2. Design quality and technology upgrade 3. Product quality upgrade 4. Customer complaints process and improvement 5. Employee quality training plan and implementation
Legal Affairs and Intellectual Property Rights Division	Intellectual property rights management and legal affairs handling
Finance and Administration Division	1. Dealing with accounting, finance, tax and shareholder service matters 2. Supporting project implementation and promotion matters
Human Resources Department	1. Employees and Human Resource Management 2. Salary and benefits management 3. Education and Training and Development 4. General Affairs Services 5. Health and Safety Management
Product Business Group	It is divided into PC peripheral products and non-PC peripheral products; also, each business group is in charge of research and development and marketing. **R&D:** New product research, design and development New product project assessment, analysis and planning New product manufacturing technology and document and data transfer **Marketing** Product planning, marketing and market development
Technology R&D Center	Be responsible for the research, design and development of the core technology of all products.
IT Department	1. Organize and plan the safety, implementation and system integration of the Company's electronic information 2. The enactment and maintenance of computerized information management system and current manual processes analysis and future operating process design 3. The new application system planning and development and the function expansion and update of the developed application system 4. User education and training and operational planning 5. Disaster recovery management planning and execution 6. Equipment Planning and Management 7. Computer operation management

2. Profiles of the Directors, Supervisors, General Manager, Vice General Manager, Assistant General Manager, department heads, and branch officers

(1) Directors and Supervisors

Directors and Supervisors (1)

04.30.2016 / Unit: Shares / %

Title	Nationality or Place of Registration	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when elected: Shares	Shareholding when elected: %	Current shareholding: Shares	Current shareholding: %	Spouse & Minor Shareholding: Shares	Spouse & Minor Shareholding: %	Shareholding by Nominee Arrangement: Shares	Shareholding by Nominee Arrangement: %	Main experience (education and degree)	Currently hold a position with the Company and others	Other officers, directors, or supervisors who are a spouse or a relative within the second degree of kinship: Title	Name	Relationship
Chairman	Republic of China	Liang, Li-Sheng	6.29.2015	3 years	10.23.2009 (Note 8)	1,500,001	0.34	1,500,001	0.34	0	0	0	0	Department of Business Administration, Tamkang University Chairman of Destiny Technology Corporation	Note 1	Director/General Manager	Yang, Hai-Hung	In-law
Director/General Manager	Republic of China	Yang, Hai-Hung	6.29.2015	3 years	10.23.2009 (Note 8)	1,962,465	0.45	1,812,465	0.41	0	0	0	0	Master of Mechanical Engineering, University of Texas, USA General Manager of Products Division of PRIMAX	Note 2	Chairman	Liang, Li-Sheng	In-law
Director	Republic of China	Yang, Chi-Ting	6.29.2015	3 years	3.11.2011	1,926,963	0.44	1,926,963	0.44	1,900,962	0.43	0	0	MBA, University of Southern California, USA Chailease Holding Company Limited Chief Auditor	Note 3	–	–	–
Director and Business Unit General Manager	Republic of China	Pan, Yung-Chung	6.29.2015	3 years	9.5.2014	8,291,046	1.89	8,291,046	1.88	0	0	0	0	Department of Electronics, Feng Chia University Vice General Manager of Business Department of PRIMAX	Note 4	Director and General Manager of Business Department	Pan Yung-Tai	Brothers
Director and Business Unit General Manager	Republic of China	Pan Yung-Tai	6.29.2015	3 years	9.5.2014	4,617,987	1.05	4,852,599	1.10	815,517	0.18	0	0	Department of Mechanical Engineering, Chung Yuan Christian University Vice General Manager of Ether Optronics	Note 5	Director and General Manager of Business Department	Pan, Yung-Chung	Brothers
Director and Vice General Manager	Republic of China	Tsao, Chung-Feng	6.29.2015	3 years	6.29.2015	3,078,651	0.70	3,148,651	0.71	406,586	0.09	0	0	EMBA, National Taiwan University PRIMAX Senior Assistant General Manager	None	–	–	–
Independent Director	Republic of China	Ku, Tai-Chao	6.29.2015	3 years	3.30.2010	0	0	0	0	0	0	0	0	Bachelor of Law, National Taiwan University Vice President of Taiwan Stock Exchange Corporation	None	–	–	–
Independent Director	Republic of China	Wei, Yung-Tu	6.29.2015	3 years	6.29.2015	500,000	0.11	620,000	0.14	0	0	1,000,000	0.23	MBA, University of Georgia USA President of Deloitte & Touche	Note 6	–	–	–
Independent Director	Republic of China	Cheng, Chih-Kai	6.29.2015	3 years	6.29.2015	0	0	0	0	0	0	0	0	Department of Management Science, National Chiao Tung University, Senior Vice President of Synnex USA	Note 7	–	–	–

Note 1: Primax Tech.(Cayman Holding) Ltd. Director, Polaris Electronics, Inc. Director, Destiny Tech Holding Co., Ltd. Director, Primax Ind.(Cayman Holding) Ltd. Director, Primax Ind (HK) Ltd. Director, Beijing Destiny Electronic Technology Corporation Chairman, Diamond (Cayman) Holdings Ltd. Institutional Director, Tymphany Worldwide Enterprises Ltd. Institutional Director, GLOBAL-TEK Institutional Director, Alpine Asia Investment Limited Director, and Gratus Technology Corp. Director.

Note 2: Primax Ind. (Cayman Holding) Ltd. Director, Polaris Electronics, Inc. Director, Primax Tech. (Cayman Holding) Ltd. Director, Primax Ind (HK) Ltd. Director, Kunshan Primax East poly-Electronics Co., Ltd. Legal Representative and Executive Director, Primax Electronics (Chongqing) Corp. Ltd. Legal Representative and Executive Director, Beijing Destiny Electronic Technology Corporation Director, Tymphany Worldwide Enterprises Ltd. Institutional Director, GLOBAL-TEK Institutional Director, Campbell Technology Corporation Director, and Gratus Technology Corp. Director.

Note 3: Chinalease Auto Rental Chairman and General Manager, Apex Credit Chairman and General Manager, and Fina Finance & Trading Co., Ltd. Supervisor.

Note 4: Destiny Technology (Japan) Corporation Director, Tymphany Worldwide Enterprises Ltd. Institutional Director, TYP Enterprises, Inc. Director, Tymphany HK Ltd. Director, Premium Loudspeakers (Huizhou) Co., Ltd. Institutional Director, and Dongguan Di Fenni Electro-Acoustic Technology Co., Ltd Institutional Director.

Note 5: Tymphany Worldwide Enterprises Ltd. Institutional Director.

Note 6: Synnex Technology International Corporation Independent Director, Taiwan Cement Independent Director, Far Eastern Department Stores Independent Director, Wowprime Director, MiTAC Holdings Corporation, Institutional Director Representative, Vanguard International Semiconductor Corporation Director, Sercomm Corporation Institutional Supervisor Representative, Chilisin Electronics Corp. Institutional Supervisor Representative, Iron Force Industrial Co., Ltd. Director, and Yong Qin CO., LTD. Chairman.

Note 7: Crown Bioscience (Cayman Island) Director, Ureka Therapeutics (California) Director, Living Water Social Ventures Chairman, and Social Enterprise Insights Director.

Note 8: It is based on the initial elected date after the base date of the Company's merging PRIMAX.

Directors and Supervisors (2)

04.30.2016

Conditions / Name	Whether meet one of the following professional qualification requirements together with at least five years of work experience?: An instruction or higher position in a Department of Commerce, Legal Affairs, Finance, Accounting, or Other Academic Department related to the business needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who has passed a national examination and been awarded a Certificate in a profession necessary for the business of the Company	With work experience in the areas of commerce, legal affairs, finance, or accounting, or otherwise necessary for the business of the Company	Meet the independence criteria (Note): 1	2	3	4	5	6	7	8	9	10	Number of other public companies in which the individual is concurrently serving as an Independent Director
Liang, Li-Sheng	–	–	V			V		V	V	V		V	V	0
Yang, Hai-Hung	–	–	V			V		V	V	V		V	V	0
Yang, Chi-Ting	–	–	V	V	V	V	V	V	V	V	V	V	V	0
Pan Yung-Tai	–	–	V					V	V	V		V	V	0
Pan, Yung-Chung	–	–	V					V	V	V		V	V	0
Tsao, Chung-Feng	–	–	V		V	V	V	V	V	V	V	V	V	0
Ku, Tai-Chao	–	–	V	V	V	V	V	V	V	V	V	V	V	0
Wei, Yung-Tu	–	V	V	V	V	V	V	V	V	V	V	V	V	3
Cheng, Chih-Kai	–	–	V	V	V	V	V	V	V	V	V	V	V	0

Note: Please tick V the corresponding boxes if directors or supervisors have qualified any of the following conditions during the two years prior to being elected or during the term of office.
(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of the Company's affiliates (The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares).
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under someone else's name(s), in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five (5) in holdings.
(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
(7) Not a professional individual or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal affairs, financial, accounting services, or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
(9) Not been a person of any conditions defined in Article 30 of the Company Law.
(10) Not a governmental, juridical person, or its representative as defined in Article 27 of the Company Law.

(2) Profiles of the General Manager, Vice General Manager, Assistant General Manager, department heads, and branch officers

04.30.2016 / Unit: Shares / %

Title	Nationality	Name	Date Elected	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Main experience (education and degree)	Currently serving duties at other company	Manager who is the spouse or a relative within the second degree of kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director/General Manager	Republic of China	Yang, Hai-Hung	07.02.2010	1,812,465	0.41	0	0	0	0	Master of Mechanical Engineering, University of Texas, USA General Manager of Products Department of PRIMAX	Note 1	–	–	–
Director and General Manager of Business Department	Republic of China	Pan, Yung-Chung	12.28.2007 (Note 8)	8,291,046	1.88	0	0	0	0	Department of Electronics, Feng Chia University Vice General Manager of Business Department of PRIMAX	Note 2	Director and General Manager of Business Department	Pan Yung-Tai	Brothers
Director and General Manager of Business Department	Republic of China	Pan Yung-Tai	12.28.2007 (Note 8)	4,852,599	1.10	815,517	0.18	0	0	Department of Mechanical Engineering, Chung Yuan Christian University Vice General Manager of Ether Optronics	Note 3	Director and General Manager of Business Department	Pan, Yung-Chung	Brothers
Director and Vice General Manager	Republic of China	Tsao, Chung-Feng	12.28.2007 (Note 8)	3,148,651	0.71	406,586	0.09	0	0	EMBA, National Taiwan University PRIMAX Senior Assistant General Manager	None	–	–	–
Senior Vice General Manager	Republic of China	Lee, Yi-Ping	1.2.2013	81,000	0.02	0	0	0	0	MBA, University of Central Missouri, USA CFO, Delta Networks, Inc.	Note 4	–	–	–
Vice General Manager	Republic of China	Chou, Yen-Chou	1.17.2011	412,000	0.09	0	0	0	0	Doctoral of Industrial Engineering, University of Cincinnati USA Senior Assistant General Manager of Operations, Hon Hai Group	None	–	–	–
Vice General Manager	Republic of China	Liu, Chia-Lun	2.1.2012	147,000	0.03	0	0	0	0	Master of Industrial Engineering and MBA, California State Polytechnic University, Pomona USA Senior Director of TOP VICTORY ELECTRONICS (TAIWAN) CO., LTD.	Note 5	–	–	–
Vice General Manager	Republic of China	Lee, Chiu-Sheng	10.1.2014	400,000	0.09	42,000	0.01	0	0	Department of Industrial Engineering, National Tsing Hua University FOXCONN VP Operations	Note 6	–	–	–
Vice General Manager	Republic of China	Chiang, Yan-Ying	4.1.2015	684,106	0.15	0	0	0	0	Department of Labor Relations, Chinese Culture University; EMBA, National Chengchi University PRIMAX Senior Assistant General Manager	None	–	–	–
Vice General Manager	Republic of China	Chang, Ching-Kai	4.1.2015	589,703	0.13	0	0	0	0	Department of Information Engineering, Tamkang University PRIMAX Senior Assistant General Manager	None	–	–	–
Vice General Manager	Republic of China	Chang, Yao-Han	10.7.2015	75,000	0.02	0	0	0	0	Tamkang University Graduate Institute of International Affairs and Strategic Studies PRIMAX Senior Assistant General Manager	None	–	–	–
Vice General Manager	Republic of China	Wei, Hao-San	10.7.2015	353,732	0.08	20,000	0.005	0	0	Electrical Engineering Institute, California State University, Long Beach (USA) PRIMAX Senior Assistant General Manager	Note 7	–	–	–
Assistant General Manager	Republic of China	Pan, Yen-Jen	12.5.2013	15,000	0.003	0	0	0	0	Department of Accounting, Soochow University Assistance General Manager, Auditing Services, PwC Taiwan	None	–	–	–

Note 1: Primax Ind. (Cayman Holding) Ltd. Director, Polaris Electronics, Inc. Director, Primax Tech. (Cayman Holding) Ltd. Director, Primax Ind (HK) Ltd. Director, Kunshan Primax East poly-Electronics Co., Ltd. Legal Representative and Executive Director, Primax Electronics (Chongqing) Corp. Ltd. Legal Representative and Executive Director, Beijing Destiny Electronic Technology Corporation Director, Tymphany Worldwide Enterprises Ltd. Institutional Director, GLOBAL-TEK Institutional Director, Campbell Technology Corporation Director, and Gratus Technology Corp. Director.

Note 2: Destiny Technology (Japan) Corporation Director, Tymphany Worldwide Enterprises Ltd. Institutional Director, TYP Enterprises, Inc. Director, Tymphany HK Ltd. Director, Premium Loudspeakers (Huizhou) Co., Ltd. Institutional Director, and Dongguan Di Fenni Electro-Acoustic Technology Co., Ltd Institutional Director.

Note 3: Tymphany Worldwide Enterprises Ltd. Institutional Director.

Note 4: Primax Tech. (Cayman Holding) Ltd. Director, Primax Ind. (Cayman Holding) Ltd. Director, and Destiny Technology (Japan) Corporation Director.

Note 5: Destiny Technology (Japan) Corporation Director.

Note 6: Dongguan PRIMAX Electronic Telecommunication Products Co., Ltd. Director and General Manager, Kunshan Primax East Poly-Electronics Co., Ltd. General Manager, and Primax Electronics (Chongqing) Corp. Ltd. General Manager.

Note 7: Destiny Technology (Japan) Corporation Supervisor

Note 8: The inauguration date refers to the base date of the Company's merging PRIMAX.

III. Corporate Governance Report

3.Profiles of the Remuneration to Directors, Supervisors, General Manager, and Vice General Managers in the most recent year:

(1) Remuneration to Directors in the most recent year (2015)

Unit: NT$1,000 / 1,000 shares

Title	Name	Remuneration to Directors: Base Compensation (A)		Pension (B)		Compensation to Directors (C) (Note 2)		Bonus to Directors (D)		Ratio of total remuneration (A+B+C+D) to net income (%) (Note 1)		Relevant Remuneration Received by Directors Who are Also Employees: Salary, Bonuses, and Allowances (E)		Pension (F)		Profit Sharing- Employee Bonus (G) (Note 3)				Exercisable Employee Stock Options (H) (Note 4)		New Restricted Employee Shares (I) (Note 5)		Ratio of total remuneration (A+B+C+D +E+F+G) to net income (%) (Note 1)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company: Cash	The Company: Stock	All Consolidated Entities: Cash	All Consolidated Entities: Stock	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	
Chairman	Liang, Li-Sheng	11,298	11,298	0	0	28,640	28,640	430	430	2.28	2.28	44,339	44,339	0	0	0	0	0	0	211	211	240	240	4.78	4.78	0
Director/General Manager	Yang, Hai-Hung																									
Director	Yang, Chi-Ting																									
Director and General Manager of Business Department	Pan, Yung-Chung																									
Director and General Manager of Business Department	Pan Yung-Tai																									
Director and Vice General Manager	Tsao, Chung-Feng (Note 6)																									
Independent Director	Ku, Tai-Chao																									
Independent Director	Wei, Yung-Tu (Note 6)																									
Independent Director	Cheng, Chih-Kai (Note 6)																									
Independent Director	Liu, Jong-Shi (Note 7)																									

Note 1: The Company's 2015 net income amounted to NT$1,773,122 thousand.

Note 2: Refers to the earnings distribution proposal in the most recent year (2015) resolved by the Board of Directors (03.24.2016) for an amount of NT$32,000 thousand to be distributed as remuneration to directors and supervisors. The remuneration amount to be distributed in current year will be proportionally to the amount distributed last year.

Note 3: Refers to the earnings distribution proposal in the most recent year (2015) resolved by the Board of Directors (03.24.2016) for an amount of NT$78,500 thousand to be distributed as cash dividend to employees. The cash dividend amount to be distributed in current year will be proportionally to the amount distributed last year.

Note 4: Refers to the Company's employee warrant not yet executed by the recipients referred to above as of the printing date of the annual report (05.13.2016).

Note 5: Refers to the number of new restricted employee total shares issued by the Company and received by the recipients as of the printing date (05.13.2016) of the annual report.

Note 6: The full election of the Board Directors held on 06.29.2015.

Note 7: The directors were discharged at the end of the term on 06.29.2015.

Range of remuneration paid to each director of the Company	Name of director: Total remuneration paid (A+B+C+D)		Total remuneration paid (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Less than NT$2,000,000	Liu, Jong-Shi	Liu, Jong-Shi	Liu, Jong-Shi	Liu, Jong-Shi
NT$2,000,000 (inclusive) ~ NT$5,000,000 (exclusive)	Yang, Hai-Hung; Pan Yung-Tai; Pan, Yung-Chung; Tsao, Chung-Feng; Yang, Chi-Ting; Ku, Tai-Chao; Wei, Yung-Tu and Cheng, Chih-Kai	Yang, Hai-Hung; Pan Yung-Tai; Pan, Yung-Chung; Tsao, Chung-Feng; Yang, Chi-Ting; Ku, Tai-Chao; Wei, Yung-Tu and Cheng, Chih-Kai	Yang, Chi-Ting; Ku, Tai-Chao; Wei, Yung-Tu and Cheng, Chih-Kai	Yang, Chi-Ting; Ku, Tai-Chao; Wei, Yung-Tu Cheng, Chih-Kai
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)	–	–	Tsao, Chung-Feng	Tsao, Chung-Feng
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)	Liang, Li-Sheng	Liang, Li-Sheng	Liang, Li-Sheng; Pan, Yung-Tai; and Pan, Yung-Chung	Liang, Li-Sheng; Pan, Yung-Tai; and Pan, Yung-Chung
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)	–	–	Yang, Hai-Hung	Yang, Hai-Hung
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)	–	–	–	–
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)	–	–	–	–
NT$100,000,000 and more	–	–	–	–
Total	10	10	10	10

(2) Remuneration to supervisors in the most recent year (2015)

Unit: NT$1,000

Title	Name	Remuneration to supervisors						Ratio of total remuneration (A+B+C) to net income (%) (Note 2)		Any remuneration received from the invested company other than the subsidiaries
		Remuneration (A)		Remuneration (B) (Note 1)		Service operation fees (C)				
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	
Supervisors	Tsai, You-Wei (Note 3)	0	0	3,360	3,360	0	0	0.1895	0.1895	None
Supervisors	Hsu, Chiang-Chan (Note 3)									
Supervisors	Chang, Deh-Tsai (Note 3)									

Note 1: Refers to the earnings distribution proposal in the most recent year (2015) resolved by the Board of Directors (03.24.2016) for an amount of NT$32,000 thousand to be distributed as remuneration to directors and supervisors. The remuneration amount to be distributed in current year will be proportionally to the amount distributed last year.

Note 2: The Company's 2015 net income amounted to NT$1,773,122 thousand.

Note 3: The full election of the Board Directors was held on 06.29.2015 with the Audit Committee formed by the Independent Directors to replace the Supervisors.

Range of remuneration paid to each supervisor of the Company	Name of supervisors	
	Total remuneration paid (A+B+C)	
	The Company	All Consolidated Entities (D)
Less than NT$2,000,000	Tsai, You-Wei, Hsu, Chiang-Chan, and Chang, Deh-Tsai	Tsai, You-Wei, Hsu, Chiang-Chan, and Chang, Deh-Tsai
NT$2,000,000 (inclusive) ~ NT$5,000,000(not inclusive)	–	–
NT$5,000,000 (inclusive) ~ NT$10,000,000 (not inclusive)	–	–
NT$10,000,000 (inclusive) ~ NT$15,000,000 (not inclusive)	–	–
NT$15,000,000 (inclusive) ~ NT$30,000,000 (not inclusive)	–	–
NT$30,000,000 (inclusive) ~ NT$50,000,000 (not inclusive)	–	–
NT$50,000,000 (inclusive) ~ NT$100,000,000 (not inclusive)	–	–
NT$100,000,000 and more	–	–
Total	3	3

(3) Remuneration to General Manager and Vice General Manager in the most recent year (2015)

Unit: NT$1,000 / 1,000 shares

Title	Name	Salary (A)		Pension (B)		Bonuses and Allowances (C)		Profit Sharing-Employee Bonus (D) (Note 1)				Ratio of total remuneration (A+B+C+D) to net income (%) (Note 2)		Exercisable Employee Stock Options (Note 3)		New Restricted Employee Shares (Note 4)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	
								Cash	Stock	Cash	Stock							
Director/General Manager	Yang, Hai-Hung	30,399	32,037	0	0	84,479	84,479	0	0	0	0	6.48%	6.57%	636	636	1,790	1,790	None
Director and General Manager of Business Department	Pan, Yung-Chung																	
Director and General Manager of Business Department	Pan Yung-Tai																	
Senior Vice General Manager	Lee, Yi-Ping																	
Director/Vice General Manager	Tsao, Chung-Feng																	
Vice General Manager (Note 5)	Pan, Wu-Lung																	
Vice General Manager	Chou, Yen-Chou																	
Vice General Manager	Liu, Chia-Lun																	
Vice General Manager	Lee, Chiu-Sheng																	
Vice General Manager (Note 6)	Chiang, Yan-Ying																	
Vice General Manager (Note 7)	Chang, Ching-Kai																	
Vice General Manager (Note 8)	Wei, Hao-San																	
Vice General Manager (Note 9)	Chang, Yao-Han																	

Note 1: Refers to the earnings distribution proposal in the most recent year (2015) resolved by the Board of Directors (03.24.2016) for an amount of NT$78,500 thousand to be distributed as cash dividend to employees. The employee bonus to General Manager and Vice General Manager had not yet been discussed by the Remuneration Committee as of the printing date of the annual report; therefore, the cash dividend is distributed in current year proportionally to the amount distributed last year.

Note 2: The net income of the Company in 2015 amounted to NT$1,773,122 thousand.

Note 3: Refers to the Company's employee warrant not yet executed by the recipients referred to above as of the printing date of the annual report (05.13.2016).

Note 4: Refers to the number of new restricted employee shares issued by the Company not yet executed by the recipients as of the printing date (05.13.2016) of the annual report.

Note 5: Pan, Wu-Lung retired on 03.31.2015.

Note 6: Chiang, Yan-Ying was promoted as the Vice General Manager on 04.01.2015.

Note 7: Chang, Ching-Kai was promoted as the Vice General Manager on 04.01.2015.

Note 8: Wei, Hao-San was promoted as the Vice General Manager on 10.07.2015.

Note 9: Chang, Yao-Han was promoted as the Vice General Manager on 10.07.2015.

III. Corporate Governance Report

Range of remuneration paid to each General Manager and Vice General Manager of the Company	Name of General Manager and Vice General Manager	
	The Company	All Consolidated Entities (E)
Less than NT$2,000,000	–	–
NT$2,000,000 (inclusive) ~ NT$5,000,000 (not inclusive)	Chiang, Yan-Ying	Chiang, Yan-Ying
NT$5,000,000 (inclusive) ~ NT$10,000,000 (not inclusive)	Tsao, Chung-Feng, Lee, Chiu-Sheng, Liu, Chia-Lun, Pan, Wu-Lung Pan, Yung-Chung and Chang, Yao-Han Chang, Ching-Kai and Wei, Hao-San	Tsao, Chung-Feng, Lee, Chiu-Sheng, Liu, Chia-Lun, Pan, Wu-Lung Pan, Yung-Chung and Chang, Yao-Han Chang, Ching-Kai and Wei, Hao-San
NT$10,000,000 (inclusive) ~ NT$15,000,000 (not inclusive)	Chou, Yen-Chou; Lee, Yi-Ping; Pan Yung-Tai	Chou, Yen-Chou; Lee, Yi-Ping; Pan Yung-Tai
NT$15,000,000 (inclusive) ~ NT$30,000,000 (not inclusive)	Yang, Hai-Hung	Yang, Hai-Hung
NT$30,000,000 (inclusive) ~ NT$50,000,000 (not inclusive)	–	–
NT$50,000,000 (inclusive) ~ NT$100,000,000 (not inclusive)	–	–
NT$100,000,000 and more	–	–
Total	13	13

(4) Name of the managers receiving remuneration to employees in the most recent year (2015) and the distribution implemented

Unit: NT$1,000 / 1,000 shares

	Title	Name	Stock amount (Note 1)	Cash amount (Note 1)	Total	Ratio of total amount to net income (%) (Note 2)
Managers	Director/General Manager	Yang, Hai-Hung	–	0	–	0%
	General Manager of Business Department	Pan, Yung-Chung				
	General Manager of Business Department	Pan, Yung-Tai				
	Director/Vice General Manager	Tsao, Chung-Feng				
	Vice General Manager (Note 5)	Pan, Wu-Lung				
	Vice General Manager	Chou, Yen-Chou				
	Vice General Manager	Liu, Chia-Lun				
	Senior Vice General Manager	Lee, Yi-Ping				
	Vice General Manager	Lee, Chiu-Sheng				
	Vice General Manager (Note 6)	Chiang, Yan-Ying				
	Vice General Manager (Note 7)	Chang, Ching-Kai				
	Vice General Manager (Note 8)	Wei, Hao-San				
	Vice General Manager (Note 9)	Chang, Yao-Han				
	Assistant General Manager	Pan, Yen-Jen				

Note 1: Refers to the earnings distribution proposal in the most recent year (2015) resolved by the Board of Directors (03.24.2016) for an amount of NT$78,500 thousand to be distributed as cash dividend to employees. The employee bonus to General Manager and Vice General Manager had not yet been discussed by the Remuneration Committee as of the printing date of the annual report; therefore, the cash dividend is distributed in current year proportionally to the amount distributed last year.

Note 2: The net income of the Company in 2015 amounted to NT$1,773,122 thousand.

Note 3: Refers to the Company's employee warrant not yet executed by the recipients referred to above as of the printing date of the annual report (05.13.2016).

Note 4: Refers to the number of new restricted employee shares issued by the Company and received by the recipients as of the printing date (05.13.2016) of the annual report.

Note 5: Pan, Wu-Lung retired on 03.31.2015.

Note 6: Chiang, Yan-Ying was promoted as the Vice General Manager on 04.01.2015.

Note 7: Chang, Ching-Kai was promoted as the Vice General Manager on 04.01.2015.

Note 8: Wei, Hao-San was promoted as the Vice General Manager on 10.07.2015.

Note 9: Chang, Yao-Han was promoted as the Vice General Manager on 10.07.2015.

(5) The ratio analysis of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, supervisors, general manager, and vice general manager of the Company to the net income in the proprietary or independent financial report; in addition, the policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and future risk.

1. The ratio analysis of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the most recent two fiscal years to directors, supervisors, general manager, and vice general manager of the Company to the net income in the proprietary or independent financial report:

Identity	Ratio of total remuneration to net income (loss)			
	2014		2015	
	The Company	Consolidation	The Company	Consolidation
Director	3.63%	3.63%	4.78%	4.78%
Supervisors	0.51%	0.51%	0.19%	0.19%
General Manager / Vice General Manager	4.31%	4.24%	6.48%	6.57%

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance:

The Company's remuneration to Directors and Supervisors is proposed to the Board of Directors and resolved in the shareholders' meeting in accordance with the Articles of Association. The remuneration to the General Manager and Vice General Manager is defined in accordance with the job position held and the responsibilities borne, and by referring to the industry standard for the equivalent job position. In addition, it is proposed to the Remuneration Committee and the Board of Directors for resolutions; moreover, the performance bonus is based on the Company's current operating performance and individual job performance.

4. Corporate governance operation

(1) Board of Directors operation:

The attendance of the directors and supervisors for the 9 Board meetings (A) held by the Company as of the printing date of the annual report (6 meetings in 2015 and 3 meetings in 2016) as follows:

Title	Name	Attendance in Person B	By Proxy	Attendance Rate (%) [B/A]	Remark
Chairman	Liang, Li-Sheng	9	0	100	Re-elected on 6/29/2015
Director	Yang, Hai-Hung	7	2	78	Re-elected on 6/29/2015
Director	Yang, Chi-Ting	7	2	78	Re-elected on 6/29/2015
Director	Pan Yung-Tai	8	1	89	Re-elected on 6/29/2015
Director	Pan, Yung-Chung	8	1	89	Re-elected on 6/29/2015
Director	Tsao, Chung-Feng	6	0	100	Inauguration on 6/29/2015 with 6 meetings scheduled to attend.
Independent Director	Ku, Tai-Chao	9	0	100	Re-elected on 6/29/2015
Independent Director	Wei, Yung-Tu	6	0	100	Inauguration on 6/29/2015 with 6 meetings scheduled to attend.
Independent Director	Cheng, Chih-Kai	6	0	100	Inauguration on 6/29/2015 with 6 meetings scheduled to attend.
Independent Director	Liu, Jong-Shi	2	0	67	Discharged on 6/29/2015 with 3 meetings scheduled to attend.
Supervisors	Tsai, You-Wei	3	0	100	Discharged on 6/29/2015 with 3 meetings scheduled to attend.

Title	Name	Attendance in Person B	By Proxy	Attendance Rate (%) [B/A]	Remark
Supervisors	Hsu, Chiang-Chan	3	0	100	Discharged on 6/29/2015 with 3 meetings scheduled to attend.
Supervisors	Chang, Deh-Tsai	3	0	100	Discharged on 6/29/2015 with 3 meetings scheduled to attend.

Other mandatory notes:

I. For the items stated in Article 14.3 of the Securities Exchange Act and other matters resolved in the Board meeting with the opposition or reservation of the independent directors documented or written, the date of the Board meeting, the term, the content of the motion, the opinions of all independent directors, and the Company's handling the opinions of the independent directors should be detailed.

II. For the Directors' excusing themselves from discussing the motion with a conflict of interest, the name of the Director, the content of the motion, causes for avoiding conflicts of interest, and voting scenario should be detailed as follows: The Company's Board Directors have attended the board meeting and casting votes accordingly. Board Directors' having themselves excused from discussing the motions with conflict of interests is summarized as follows: (1) For Proposal II discussed in the Board meeting on January 28, 2015 regarding the 2014 bonus to the management and 2013 bonus to employees, Director Yang, Hai-Hung (represented by Liang, Li-Sheng), Pan Yung-Tai, and Pan, Yung-Chung were a party to the proposal; therefore, they had themselves excused from discussing and voting on this proposal to avoid a conflict of interest. For Proposal III discussed in the Board meeting regarding the Chairman's 2014 bonus, the Chairman had himself/herself excused from discussing and voting on the proposal to avoid a conflict of interest. (2) For Proposal II discussed in the Board meeting on March 24, 2015 regarding the salary adjustment of the management and Proposal III regarding the bonus to the management and key officers in 2015, Director Yang, Hai-Hung; Pan Yung-Tai, and Pan, Yung-Chung (represented by Liang, Li-Sheng) were a party to the proposal. Therefore, they had themselves excused from discussing and voting on this proposal to avoid a conflict of interest. For Proposal IV discussed in the Board meeting regarding the Chairman's 2015 remuneration, the Chairman had himself/herself excused from discussing and voting on the proposal to avoid a conflict of interest. (3) For Proposal II discussed in the Board meeting on May 13, 2015 regarding the nomination of the independent directors in the 2015 general shareholders' meeting, Independent Director Ku, Tai-Chao was a party to the proposal; therefore, he had himself excused from discussing and voting on this proposal to avoid a conflict of interest. (4) The Company's Board of Directors convened a meeting on November 13, 2015 to discuss Proposal III regarding the Company's "Rules Governing Remuneration to the Management" for replacing the former "Rules Governing Remuneration and Prize Money to the Management" that was passed by the Board of Directors on January 18, 2012. Director Yang, Hai-Hung; Pan, Yung-Tai; Pan, Yung-Chung, and Tsao, Chung-Feng were the stakeholders with a conflict of interest; therefore, they had themselves excused from discussing and voting on such matter; also, for Proposal IV regarding the Company's "Rules Governing Remuneration to Chairman;" the Chairman was the stakeholder with a conflict of interest who did not participate in the discussion and voting on such matter. (5) For Proposal I discussed in the Board Meeting on January 25, 2016 regarding the bonus to the management in 2015, Director Yang, Hai-Hung, Pan Yung-Tai, Pan, Yung-Chung, and Tsao, Chung-Feng were a party to the proposal; therefore, they had themselves excused from discussing and voting on this proposal to avoid a conflict of interest. For Proposal II discussed in the Board Meeting regarding the bonus to the Chairman in 2015, the Chairman was a party to the proposal. Therefore, he had himself excused from discussing or voting on the proposal to avoid a conflict of interest. (6) For Proposal V discussed in the Board meeting on March 24, 2016 regarding the amendment of "Rules Governing the Remuneration to the Chairman", the Chairman was a party to the proposal; therefore, he had himself excused from discussing and voting on the proposal to avoid a conflict of interest. For Proposal VI discussed in the Board meeting regarding the amendment of the Company's "Rules Governing the Remuneration to the Management", Director Yang, Hai-Hung, Pan Yung-Tai, Pan, Yung-Chung, , and Tsao, Chung-Feng were a party to the proposal; therefore, they had themselves excused from discussing and voting on this proposal to avoid a conflict of interest. For Proposal VII discussed in the Board meeting regarding the salary adjustment of the management in 2016 and Proposal VIII regarding the bonus to the management and key officers in 2016, Director Yang, Hai-Hung, Pan Yung-Tai, Pan, Yung-Chung, and Tsao, Chung-Feng were a party to both proposals; therefore, they had themselves excused from discussing and voting on the two proposals to avoid a conflict of interest. For Proposal IX discussed in the Board Meeting regarding the performance standard and bonus to the Chairman in 2015, the Chairman was a party to the proposal; therefore, he had himself excused from discussing or voting on the proposal to avoid a conflict of interest.

III. The objective of enhancing the functions of the Board of Directors (such as, setup an Audit Committee, enhance the transparency of information, etc.) in current year and in the most recent year, and the assessment of its implementation.）

1. The objective of enhancing the functions of the Board of Directors

(1) The Company's Board of Directors had resolved on January 12, 2011 to have the Remuneration Committee setup. The Remuneration Committee members were appointed in accordance with Article 5 of the Company's "Remuneration Committee Charter". The Remuneration Committee under the Board of Directors is aimed to strengthen the function of the Board of Directors.

(2) The Company's Board of Directors had resolved on July 7, 2015 to have the Audit Committee setup. The Audit Committee members were appointed in accordance with Article 4 of the Company's "Audit Committee Charter". The Audit Committee under the Board of Directors is aimed to strengthen the function of the Board of Directors.

(3) Substantiate corporate governance and improve information transparency: the Board of Directors is operated in accordance with the "Rules of Procedure for Board of Directors Meetings". The Company's board meeting is convened in accordance with the "Rules of Procedure for Board of Directors Meetings" adequately.

(4) Advanced study of directors and supervisors: The Company arranges advanced studies for directors and supervisors to help them obtain necessary information conveniently in order to maintain their core values and professional strengths and abilities.

2. Assessment of the execution: The Company upholds the principle of transparent operation to have important resolutions published on the MOPS after the board meeting in order to protect the interests of shareholders.

(2) The operation of the Audit Committee or the Supervisors' participating in the Board of Directors operation:

1. The Company's Audit Committee is with three members appointed. The tenure of the current term is from July 7, 2015 to July 6, 2018.
2. There were two Audit Committee meetings (A) held in 2015 with the attendance of the Independent Directors as follows:

Title	Name	Actual number of meeting attended in person (B)	Actual attendance rate (%) (B/A)	Remark
Independent Director	Ku, Tai-Chao	2	100	—
Independent Director	Wei, Yung-Tu	2	100	—
Independent Director	Cheng, Chih-Kai	2	100	—

Other mandatory notes:

I. Matters that are stated in Article 14.5 of the Securities Exchange Act and other matters that are not resolved in the Audit Committee but with the consent of over two thirds of the Board of Directors: None.

II. The Independent Directors' having themselves excused from participating in a proposal involving a conflict of interest: None.

III. The communication among the Independent Directors, Internal Auditor, and CPAs:

(1) The Company's Internal Auditor communicates the audit report with the members of the Audit Committee regularly; in addition, reports the implementation of internal audit in the Audit Committee meeting and reports any special events to the Audit Committee promptly. There had not any special event referred to above occurred in 2015.The Company's Audit Committee has a good communication with the Internal Auditor.

(2) The Company's contracted CPAs report financial statements auditing or audit result and other mandatory communicating matters in the Article Committee on a quarterly basis; in addition, report any special events to the Audit Committee promptly. There had not any special event referred to above occurred in 2015.The Company's Audit Committee has a good communication with the contracted CPAs.

(3) How does the Company's corporate governance differ from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and its root cause?

Assessment items		Operation			How does the Company's corporate governance differ from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and its root cause?
		Yes	No	Summary	
—	Does the Company have the Corporate Governance Best-Practice Principles enacted and disclosed in accordance with the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies?"	V		The Company has the Corporate Governance Best-Practice Principles enacted and disclosed.	No significant difference
II. The Company's equity structure and shareholders' equity	Has the Company enacted internal operating procedures for handling shareholders' suggestions, doubts, disputes, and litigation matters, and has it handled in accordance with the procedures accordingly?	V		The Company has the spokesperson and acting spokesperson designated; moreover, there are the Shareholder Services and Legal Affairs Services to handle the suggestions or disputes of the shareholders.	No significant difference
	Has the Company had the list of the major shareholders who actually controlled the Company and the ultimate controllers of the major shareholders?	V		The Stock Affairs Agent commissioned by the Company and the shareholding of the Company's directors, managers, and major shareholders	
	Has the Company established and implemented the risk control and firewall mechanisms between the Company and the affiliated companies?	V		The Company has adequate risk control mechanism and firewall enacted in accordance with the related rules of the Internal Control System.	
	Has the Company enacted internal standards to prohibit insiders from using undisclosed information to trade marketable securities?	V		The Company has enacted Rule Governing the Prevention of Insider Trading to prohibit insiders from using undisclosed information to trade marketable securities.	

III. Corporate Governance Report

	Assessment items	Operation: Yes	Operation: No	Operation: Summary	How does the Company's corporate governance differ from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and its root cause?
III. Composition of the Board of Directors and its duties	Has the Board of Directors had the diversification policy defined and implemented for the sake of the directors?	V		The Company has the "Corporate Governance Best-Practice Principles" enacted; also, the diversification of the board directors is stated in Article 20.The Company will have the election of board directors implemented in accordance with the Principles.	No significant difference
	Has the Company, in addition to the Remuneration Committee and Audit Committee, voluntarily setup other functional committee?	V		The Company will have other functional committee setup in the future depending on the needs of the actual operation.	
	Has the Company enacted the "Rules Governing the Performance Evaluation of the Board of Directors" and the assessment methods, and has the performance evaluation performed regularly every year?	V		The Company has enacted the "Rules Governing the Performance Evaluation of the Board of Directors" and its assessment methods. Also, performs at least one assessment before the end of the year. The assessment method can be downloaded from the Company's website or MOPS.	
	Has the Company assessed the independence of the contracted CPAs regularly?	V		The Audit Committee of the Company has the CPA's independence and performance assessed regularly every year in accordance with the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" as follows: (1) Review CPA's resume. (2) He/she is not a director, supervisor, manager, or holding a position with other companies that may affect the job responsibility or cause a conflict of interest. (3) Does not have the same CPA contracted as the auditor for seven consecutive years. (4) Obtain the declaration of independence from the commissioned CPA annually. (5) Review the auditing and tax service quality and timeliness. (6) No litigation or any disciplinary action received from the competent authorities. (7) Review the scale of operation and reputation of the CPA Firm. (8) Interaction with the management and internal auditor The criteria referred to above have been reviewed and concluded to be in conformity with the requirements.	
IV	Has the Company established a communication channel with the stakeholders and setup a stakeholder section on the Company's website; in addition, appropriately responded to the stakeholders regarding the important corporate social responsibility issues?	V		The Company's website is designed with an "investor relations" section and has someone designated to respond to issues related to the Company's stakeholders.	No significant difference
V	Has the Company commissioned a professional stock affairs agency to handle the affairs related to shareholders' meeting?	V		The Company has "SinoPac Securities Stock Affairs Agency" commissioned to handle the related matters.	No significant difference
VI. Information disclosure	Has the Company setup website to disclose financial operations and corporate governance information?	V		The Company has setup the websites with the "Investor" section included for having information disclosed by linking to the MOPS.	No significant difference
	Does the Company have other information disclosure methods adopted (such as, constructing an English website, designating specific individuals to be responsible for the Company's information collection and disclosure, substantiating a spokesperson system, the public offering conference recording uploaded to the Company's website, etc.)?	V		The Company has constructed an English website with a spokesperson and acting spokesperson designated to be responsible for communicating to the public on behalf of the Company; in addition, has specific individuals designated to have information disclosed on the MOPS in accordance with the law and regulations.	
VII	Does the Company have any other important information that can help understand the Company's corporate governance operation (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policy and risk measurement standard, the implementation of customer policy, the liability insurance acquired by the Company for the directors and supervisors, etc.)?	V		1. The Company has committed based on the Labor Standards Law to protect the basic rights of employees and has enacted the Employee Welfare Committee in accordance with the Employee Welfare Act. The existing welfare system includes: a periodical health check, birthday and three festival gifts (vouchers), weddings and funeral subsidy, scholarships and financial aid, domestic and overseas travel subsidy, emergency assistance loans, year-end party and lotteries, and other community activities. 2. The Company attaches great importance to the harmonious labor relations. For safeguarding employees' rights and benefits, employees can perform a two-way communication for the Company's systems and work environmental issues through department meetings, staff seminars, labor relation meetings, employee suggestion boxes, etc.; also, regularly inspect and maintain the safety and health of the working environment in order to ensure employees' work safety and health. 3. The Company has a smooth communication channel constructed with the employees, bankers, customers, vendors, and other stakeholders of the Company in order to protect the legitimate interests of both parties. 4. The Company has established the procedures for customer management service, customer satisfaction surveys, and handling customer complaint. Regarding customer grievances, properly identify the root cause of the problem and accountability, and evaluate customer satisfaction periodically to ensure providing customers with the best services. 5. The Company has various internal regulations and internal control systems enacted lawfully, a variety of risk management and assessment performed; in addition, the internal audit unit will have the implementation of internal control system audited periodically and occasionally. 6. Advanced study of Directors: Please refer to the Annual Report "2015 Director's Advanced Studies" (Page 21). 7. The Company has acquired liability insurance for directors and supervisors every year.	No significant difference
VIII	Does the Company have a corporate governance self-assessment report or a corporate governance assessment report issued by the commissioned professional institutions? (If the answer is "YES", please state the opinions of the Board Directors, the self-assessment or outsourcing evaluation results, major nonconformities or recommendations, and corrective actions.)	V		The Company had completed the 2015 self-evaluation in accordance with the provisions of the Taiwan Stock Exchange's 2nd Corporate Governance Evaluation. The evaluation results were published on April 8, 2016 and the Company was ranked the top 21%~35% of the listed companies. However, in terms of enhancing information transparency, there remained poor data disclosure in the annual report that has been improved this year.	No significant difference

The advanced study of the board directors in 2015:

Title	Name	Advanced study date	Organizer	Course Title	Advanced study hours	The total advanced study hours in 2015
Director	Liang, Li-Sheng	01/28/2015	Taiwan Academy of Banking and Finance	Activate the competitiveness of the industry – Corporate Social Responsibility (CSR)	3	6
		12/09/2015	Securities and Futures Institute	Strategy and Key Performance Indicators	3	
Director	Yang, Hai-Hung	01/28/2015	Taiwan Academy of Banking and Finance	Activate the competitiveness of the industry – Corporate Social Responsibility (CSR)	3	6
		12/02/2015	Securities and Futures Institute	Employee remuneration and reward strategies and tools implementation study	3	
Director	Yang, Chi-Ting	01/28/2015	Taiwan Academy of Banking and Finance	Activate the competitiveness of the industry – Corporate Social Responsibility (CSR)	3	9
		08/11/2015	Taiwan Corporate Governance Association	Corporate governance and shareholders' meeting operation	3	
		08/11/2015	Taiwan Corporate Governance Association	Bank Risk and Corporate Working Capital Management	3	
Director	Pan Yung-Tai	01/28/2015	Taiwan Academy of Banking and Finance	Activate the competitiveness of the industry – Corporate Social Responsibility (CSR)	3	6
		11/19/2015	Securities and Futures Institute	Norms and operation of the Audit Committee	3	
Director	Pan, Yung-Chung	01/28/2015	Taiwan Academy of Banking and Finance	Activate the competitiveness of the industry – Corporate Social Responsibility (CSR)	3	6
		12/09/2015	Securities and Futures Institute	Strategy and Key Performance Indicators	3	
Director	Tsao, Chung-Feng	11/24~25/2015	Securities and Futures Institute	Directors and supervisors workshop	12	12
Independent Director	Ku, Tai-Chao	01/28/2015	Taiwan Academy of Banking and Finance	Activate the competitiveness of the industry – Corporate Social Responsibility (CSR)	3	6
		08/05/2015	Securities and Futures Institute	Employee remuneration and reward strategies and tools implementation study	3	
Independent Director	Wei, Yung-Tu	06/17/2015	Taiwan Corporate Governance Association	Long-term incentive remuneration application trends and design considerations	3	9
		09/11/2015	Taiwan Corporate Governance Association	Risk management, internal control, and information management practice	3	
		09/22/2015	Taiwan Corporate Governance Association	Group Management	3	
Independent Director	Cheng, Chih-Kai	05/07/2015	Securities and Futures Institute	Corporate Governance and Securities Regulations	3	12
		08/07/2015	Securities and Futures Institute	How do enterprises fulfill social responsibility and issue report?	3	
		08/11/2015	Securities and Futures Institute	Corporate governance and sustainable operation	3	
		11/05/2015	Securities and Futures Institute	How to exercise the function of the Board of Directors and profit-seeking function of the functional committees?	3	

(4) If the Company has a Remuneration Committee setup, the composition, mandate, and operation of the Committee should be disclosed accordingly:

To improve corporate governance and strengthen the function of the Board of Directors, PRIMAX had established the Remuneration Committee in 2011 to assist the Board of Directors assessing and verifying the remuneration policy and system of the Chairman and managers. The Board of Directors has three members appointed to form the Remuneration Committee in accordance with the Company's "Remuneration Committee Charter". The Remuneration Committee shall meet at least twice a year and there were four meetings convened in the most recent year

1. Information of the Remuneration Committee members

Identity	Conditions / Name	Whether with more than five years of work experience or not? And the following professional qualifications			Meet the independence criteria (Note)								Work as a member of the Remuneration Committee of a number of other public companies	Remark
		An instruction or higher position in a Department of Commerce, Legal Affairs, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist who has passed a national examination and been awarded a Certificate in a profession necessary for the business of the Company	With work experience in the areas of Commerce, Legal Affairs, Finance, or Accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Ku, Tai-Chao	–	–	V	V	V	V	V	V	V	V	V	0	
Independent Director	Liu, Jong-Shi	–	–	V	V	V	V	V	V	V	V	V	0	The tenure ended on 06.18.2015.
Independent Director	Cheng, Chih-Kai	–	–	V	V	V	V	V	V	V	V	V	0	Inauguration on 07.07.2015
Professional member	Yao, Heng-Shan	–	–	V	V	V	V	V	V	V	V	V	0	Inauguration on 03.27.2014

Note: Please tick the corresponding boxes • if the member has qualified any of the following conditions during the two (2) years prior to being elected or during the term of office.

(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under someone else's name(s), in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top-10 in holdings.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
(5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
(7) Not a professional individual or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal affairs, financial, accounting services, or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
(8) Not been a person of any conditions defined in Article 30 of the Company Law.

2. The operation of the Remuneration Committee

(1) The Company's Remuneration Committee is with three members appointed.

(2) The tenure of the current term is from July 7, 2015 to June 28, 2018. There were four Remuneration Committee meetings (A) held in the most recent year with the attendance of the members as follows:

Title	Name	Actual number of meeting attended in person (B)	Actual number of meeting attended by proxies	Actual attendance rate (%)(B/A)	Remark
Convener	Ku, Tai-Chao	4	0	100%	Re-elected on 07.07.2015
Members	Liu, Jong-Shi	2	0	100%	Discharged on 06.18.2015 with 2 meetings scheduled to attend.
Members	Cheng, Chih-Kai	2	0	100%	Newly elected on 07.07.2015 with 2 meetings scheduled to attend.
Members	Yao, Heng-Shan	4	0	100%	Re-elected on 07.07.2015

Other mandatory notes:

1. If the Board of Directors has decided not to accept or amend the proposal of the Remuneration Committee, the date of the Board meeting, the term, the content of the motion, the resolution of the Board meeting, and the Company's handling the opinions of the Remuneration Committee should be detailed (such as, if the remuneration resolved in the Board meeting is better than the proposal of the Remuneration Committee, the difference amount and the root cause should be detailed): None.
2. For the matters resolved by the Remuneration Committee with the opposition or reservation of the members documented or written, the date of the Remuneration Committee meeting, the term, the content of the motion, the opinions of all members, and the handling the opinions of the members should be detailed: None.

(5) CSR performance: The systems and measures adopted by the Company for the tasks of environmental protection, community involvement, social contribution, social services, social welfare, consumer rights, human rights, security and health, and other social responsibility activities, and the performance.

	Assessment items	Operation			How does the Company's corporate social responsibility differ from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and its root cause?
		Yes	No	Summary	
I. Substantiating and promoting corporate governance	Has the Company setup the corporate social responsibility (CSR) policies or systems, and reviewed the effectiveness of the implementation?	V		The Company's "Primax Corporate Social Responsibility Best-Practice Principles" were enacted and approved by the Board of Directors for publication. The detailed information of the 2015 implementation effect was fully disclosed in the annual Corporate Social Responsibility Report.	No significant difference.
	Has the Company held the CSR education and training programs regularly?	V		The Company has arranged training programs periodically in accordance with the CSR operational mechanism in order to enhance the relevant knowledge.	
	Has the Company designated a specific (part-time) unit to promote corporate social responsibility with the management authorized by the Board of Director to handle the process and report the result to the Board of Directors?	V		The corporate social responsibility office was established by the Chairman with the authorization of the Board of Directors. The designated individuals are to be in charge of proposing and executing the policy, system, related guidelines and solid promotional plan of the corporate social responsibility; also, to report it to the Board of Directors regularly.	
	Has the Company setup a reasonable remuneration policy, had the employee performance evaluation system and corporate social responsibility policies combined, and established a clear and effective reward and discipline system?	V		The Company has regularly participated in external remuneration survey to ensure the competitiveness of remuneration and to be referred for the making of internal remuneration policies. Moreover, in addition to the security of a fixed annual salary, performance bonus will be distributed according to the annual achievement of the Company and personal performance and contribution of each employee.	
II. The development of sustainable environment	Is the Company committed to enhance the utilization efficiency of resources and the use of renewable materials with low environmental impact?	V		The Company has the concept of environmental protection substantiated in the green design and green management proactively while providing products and services; in addition, the raw materials used in the products are in line with international environmental standards and customer requirements.	No significant difference.
	Has the Company based on the characteristics of the industry to establish an appropriate environmental management system?	V		The Company has established a green procurement management system and the control in manufacturing process and materials to ensure the products in line with environmental requirements; moreover, a dedicated unit is assigned to maintain the production plant environment quality in Mainland China and to strengthen the implementation of energy-saving and carbon reduction measures.	
	Has the Company paid attention to the impact of climate change on operating activities and implemented greenhouse gas inventory, and enacted corporate energy-saving and carbon reduction strategies and greenhouse gases reduction strategies?	V		The Company has enacted the "Greenhouse Gas Inventory and Voluntary Reduction Declaration", and is committed to greenhouse gas inventory in order to actually grasp the situation of gas emissions and initiate further greenhouse gas reductions voluntarily according to the inventory result.	
III.Maintaining social welfare	Has the Company enacted the relevant management policies and procedures in accordance with the relevant regulations and international bill of human rights?	V		The Company's hiring and management practices comply with all relevant labor laws and internationally recognized basic labor right principles, and the Company regularly reviews and revises the Company's internal personnel specifications. The Company also actively protects the legitimate rights and interests of employees. Take on a non-discriminatory employment policy to realize the "Best Employer" business philosophy.	No significant difference.
	Has the Company established an employee grievance mechanism and channel, and has employee complaints handled properly?	V		The Company has the "Procedures for Ethical Management and Guidelines for Conduct" enacted with the reporting system and operations regulated comprehensively. The Company has arranged four complaint channels to improve the mutual understanding between the Company and employees, including employee suggestion mailbox, employee opinion survey, General Manager mailbox, appeal to staff representatives, and appeal to the direct supervisor / Human Resources, and has employee complaint handled through the established grievance procedure to value the importance of each opinion suggested by employees.	

III. Corporate Governance Report

	Assessment items	Operation			How does the Company's corporate social responsibility differ from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and its root cause?
		Yes	No	Summary	
III.Maintaining social welfare	Has the Company offered employees a safe and healthy working environment, and provided employees with safety and health education on a regular basis?	V		Primax factories are located in China while the R&D Office is in Taiwan Headquarters. Primax has the related management measures implemented as follows to provide employees with a safe and healthy working environment: 1. Education and Training: It includes first aid, mechanical safety, ESH risk identification, occupational health, emergency response, etc., also, the health education seminar for health improvement. 2. Risk Control: Fire alarm and chemical spill drills. 3. Health Check: In addition to regular health checks, provide specific physical check service to the position holders with higher risks, such as, serum ALT, hearing tests, ECG, etc., especially those employees who are associated with the operation of X-ray; also, additional full body check service of the skin, liver, kidney, and lymph nodes. 4. Medical care: Primax has clinic/medical center setup in the factory and office area with medical staff stationed regularly to serve. Each department is also equipped with medical kits to provide staff with emergency medical treatment, disease prevention, medical information and other services.	No significant difference.
	Has the Company established a regular communication mechanism with the staff, and reasonably given employees a notice of operating change that may have a significant impact on the Company?	V		The Company provides employees with a regular communication mechanism. The CEO holds a meeting with employees every six months to communicate the Company's overall business plans and outlook, achievements and corporate culture focus. The Business Director convenes a meeting on a quarterly basis to ensure that the department colleagues grasp the business overview. The Labor Conference is held on a quarterly basis to communicate important corporate matters and measures. The Company also encourages the executives and colleagues to conduct a one-on-one interview occasionally in order to maintain good interaction.	
	Has the Company established an effective career-training program for employees?	V		The Company's learning and development is based on the core structure of occupational function to be tightly integrated with the Company's future development strategies and objectives. The training system is divided into three categories: Professional occupational function training, supervisor talent training, and general occupational function training.	
	Has the Company enacted relevant consumer protection policy and grievance procedure regarding R&D, procurement, production, operation, and service process?	V		The Company has established the procedures for customer management service, customer satisfaction surveys, and handling customer complaint. Regarding customer grievances, properly identify the root cause of the problem and accountability, and evaluate customer satisfaction periodically to ensure providing customers with the best services.	
	Has the Company handled the marketing and labeling of products and services in compliance with relevant regulations and international norms?	V		The Company has the concept of environmental protection substantiated in the green design and green management proactively while providing products and services in order to comply with laws, meet customer requirements, and fulfill responsibilities as global citizens. In addition to meeting green product-related laws and regulations (such as, RoHS, REACH, ErP ....) and customer requirements, establish response capabilities of the staff within the organization and suppliers, and conduct related training and integration with information management systems (PLM) to substantiate the green product policy.	
	Has the Company assessed whether the suppliers have a record of impacting the environment and society before conducting businesses with such suppliers?	V		The Company before qualifying suppliers for services has gone through a rigorous evaluation process (including review, contract review, two-way communication, grievance and complaint mechanism) to evaluate suppliers' environmental health and safety management, including the criteria of implementing environmental monitoring, compliance with Labor Standards Law, etc. Meanwhile, initiate on-site field evaluation; mainly evaluate the management of hazardous substances. The evaluation includes: Supplier's green product management structure, staff education and training, production control, product design, incoming inspection, and hazardous substances pollution prevention.	
	Are the contracts signed with the Company's major suppliers containing the clause allowing the Company to have the contracts terminated or cancelled at any time when the suppliers violate their corporate social responsibility policy that have significant impact on the environment and society?	V		The "Supplier Declaration" to be signed by the suppliers upon the request of the Company contains the contents of environmental statement and statement of conflict minerals. If a supplier is involved in a breach of the relevant requirements, the Company may directly have the trading relationship cancelled or terminated.	

Assessment items		Operation			How does the Company's corporate social responsibility differ from the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies" and its root cause?
		Yes	No	Summary	
IV. Strengthening information disclosure	Has the Company disclosed the relevant and reliable information about corporate social responsibility on its website and MOPS?	V		The Company's website is designed with a "corporate social responsibility" section; also, the information regarding corporate social responsibility is disclosed in the annual report. The CSR report has been issued since the year 2014 in response to the important issues concerning the stakeholders, and provides the CSR mailbox as one of the communication channels to the stakeholders.	No significant difference.

V. If the Company has the corporate social responsibility best-practice principles enacted in accordance with the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies", please state the difference between its operations and the enacted Principles:

The Company has enacted the "Primax CSR Best-Practice Principles" for implementation in accordance with the aspects of corporate governance, cares for staff, safeguarding the community and protecting the earth, and has complied with the norms of the Principles. Please refer to the "Implementation of Corporate Governance" Chapter of the annual report regarding care for staff, safeguarding the community and protecting the earth. Please refer to the annual corporate social responsibility report.

VI. Other important information that helps understand the operation of corporate social responsibility

1. The Company has staff managed in accordance with the Labor Standards Law and other relevant labor laws and regulations, and has specific personnel designated to handle various matters in order to protect the interests of employees.
2. The Company has arranged the safety and health tasks for the organization and staff, the necessary health and safety education and training for the staff to perform job responsibility, the disaster prevention measures training, and health check in accordance with the Labor Safety and Health Act.
3. The Company takes responsibility for consumer protection and product safety, and actively solves the product problems raised by customers.
4. The Company takes responsibility for the health of employees, actively promotes employee mental and physical health measures, including sport wristband power walk activity, staff cafeteria calories labeling activity, disease prevention, stress relief, quit-smoking propaganda and other health education lectures and health promotion activities.

VII. If the Company's Corporate Social Responsibility Report passes the validation standards of relevant certification body, it should be detailed:

The Company's 2015 Corporate Social Responsibility Report will be written in accordance with GRI G4 version and will be certified by SGS in accordance with the AA1000 Class I High Assurance Verification.

(6) Substantiating ethical corporate management:

Assessment items		Operation			How does the Company's ethical corporate management differ from the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and its root cause?
		Yes	No	Summary	
I. Enacting ethical corporate management policies and programs	Has the Company explicitly expressed the ethical corporate management policies and approaches in the Articles of Association and external documents, and the commitment of having the management policies substantiated by the Board of Directors and the management?	V		1. The Company has enacted the "Procedures for Ethical Management and Guidelines for Conduct" to ensure the business management in compliance with the related regulations for the TWSE/GTSM listed companies or other behavioral guidelines. 2. The Company's "Rules of Procedure for Board of Directors Meetings" is with the board director's "avoiding conflict of interest" clause included. For the board directors or their representatives with a conflict of interest against the motion to be resolved in the board meeting that is detrimental to the Company's best interest, the conflicting directors or representatives may state their opinions and inquiries but may not participate in discussion and voting. In addition, they should be excused from the discussion and voting in the meeting, and may not vote on behalf of other directors. 3. The Company has enacted the "Rule Governing the Prevention of Insider Trading" to explicitly define that directors, supervisors, managers, and employees should exercise due diligence as a good administrator, loyalty, and good faith to conduct business, and to sign a confidentiality agreement not to disclose any material information to any third party.	It is in conformity with the ethical corporate management code without any significant nonconformity identified.
	Has the Company setup the program to prevent unethical conduct, and has the operating procedures, guidelines for conduct, and disciplinary act and grievance system enacted in each program and executed accordingly?	V		In addition to enacting the "Procedures for Ethical Management and Guidelines for Conduct", the Company's "Work Rules" and "Code of Conduct" are also introduced to regulate staff's complying with the laws and ethics. In addition, the Company requires suppliers and subcontractors to sign the "Supplier Declaration" in order to establish a fair, honest, trustworthy, and transparent trading environment.	
	Has the Company adopted preventive measures for the events stated in Article 7, Paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" or other operating activities with a higher risk of unethical conduct within the business scope?	V		It is clearly defined in the Company's "Procedures for Ethical Management and Guidelines for Conduct" not to accept illegal gains, prohibiting facilitation payments, and other prevention program and operating procedures; moreover, regulating the procedures for political contributions, charitable donations, and sponsorship program.	

III. Corporate Governance Report

Assessment items		Operation			How does the Company's ethical corporate management differ from the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies" and its root cause?
		Yes	No	Summary	
II. Substantiating ethical corporate management	Has the Company assessed the ethical conduct record of the counterparty, and has the ethical corporate management clauses included in the contracts signed with the counterparty?	V		The Company has the ethical corporate management evaluation procedure, prior to establishing a business relation, clearly defined in the "Procedures for Ethical Management and Guidelines for Conduct". It prohibits the Company from dealing with any unethical companies and requires having the ethical corporate management clauses included in the contracts to be signed by the Company and the counterparty.	It is in conformity with the ethical corporate management code without any significant nonconformity identified.
	Has the Company designated a specific (part-time) unit to promote ethical corporate management and to report the result to the Board of Directors periodically?	V		The Company has designated the Human Resources Department to promote the ethical corporate management and to report the execution status to the Board of Directors. For any unethical conduct occurred, the designated unit will have the process and subsequent discussion and corrective action reported to the Board of Directors.	
	Has the Company enacted a policy to prevent conflicts of interest, provided an appropriate communication channel, and substantiated its implementation?	V		1. The Company's "Rules of Procedure for Board of Directors Meetings" and "Procedures for Ethical Management and Guidelines for Conduct" are with the board director's "avoiding conflict of interest" clause included. For the board directors or their representatives with a conflict of interest against the motion to be resolved in the board meeting that is detrimental to the Company's best interest, the conflicting directors or representatives may state their opinions and inquiries but may not participate in discussion and voting. In addition, they should be excused from the discussion and voting in the meeting, and may not vote on behalf of other directors. 2. The Company's employees that have a conflict of interest against the business executed by them should have it reported to the direct supervisor and the designated unit.	
	Has the Company established an effective accounting system and internal control system to substantiate ethical corporate management, and delegated the internal audit unit to inspect periodically or commissioned CPAs to perform an audit?	V		The Company has an accounting system and internal control system enacted in accordance with the relevant laws and regulations. The Audit Office has regularly checked the compliance of the accounting system and internal control system and has the result reported to the Board of Directors.	
	Has the Company held internal and external education and training on ethical corporate management periodically?	V		The Company has regularly organized internal education and training on ethical corporate management, and advocated the importance of protecting the confidentiality of business information.	
III. The operation of the Company's reporting system	Has the Company enacted a specific reporting and incentive system, established a convenient reporting channel, and assigned a specific delegate to deal with the reported party?	V		The Company has the award and punishment, grievance system, and disciplinary action stipulated in the "Procedures for Ethical Management and Guidelines for Conduct", and has ethical corporate management included in the Code of Conduct and human resources policies.	It is in conformity with the ethical corporate management code without any significant nonconformity identified.
	Has the Company enacted the investigation standard, operating procedure, and the related confidentiality mechanism to handle the reported nonconformities?	V		The Company has dedicated a specific unit to handle the trade secrets, to be responsible for the development and implementation of the Company's trade secrets management, reservation, and confidential operating procedures, and to regularly review the implementation results in order to ensure the continuing effectiveness of the operating procedure.	
	Has the Company taken measures to protect whistleblowers from improper treatment?	V		The Company has the relevant norms included in the "Procedures for Ethical Management and Guidelines for Conduct" to ensure that whistleblowers will not be treated improperly.	
IV. Strengthening information disclosure	Has the Company disclosed the content of its "Ethical Corporate Management Best Practice Principles" and the performance on the Company's website and MOPS?	V		Please refer to the MOPS (http://newmops.twse.com.tw/) or the Company's website (http://www.primax.com.tw/) for the ethical corporate management best-practice principles. Please also refer to the annual CSR report for the information of activity promotion.	It is in conformity with the ethical corporate management code without any significant nonconformity identified.

V. If the Company has the ethical corporate management best-practice principles enacted in accordance with the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies", please state the difference between its operations and the enacted Principles: No significant difference found.

The Human Resources Department is the dedicated unit to have the Ethical Corporate Management Best Practice Principles, Code of Conduct, and related approaches enacted, to clearly prohibit accepting any illegal gains; also, to advocate the importance of ethics and moral value through internal training and promotion activities, to establish a reporting system, and to ensure an effective operation.

VI. Other important information that helps understand the operation of ethical corporate management (such as, the Company's discussing and amending its Ethical Corporate Management Best Practice Principles and others).

(I) Require the Company's suppliers and subcontractors to sign the "Supplier Declaration".

(II) It is clearly defined in the Company's "Procedures for Ethical Management and Guidelines for Conduct" that the Company's colleagues should explain the Company's ethical corporate management policy and the relevant regulations to the counterparty throughout the business process, and should clearly disclaim, directly or indirectly, any offer, promise, request, or accept illegal gains in any form or name, including kickbacks, commissions, facilitation payments, or any illegal gains offered or received from other channels.

(III) Strengthen advocating the importance of integrity and moral at the orientation scheduled for new recruits.

III. Corporate Governance Report

(7) If the Company has the corporate governance best practice principles enacted and the relevant regulations, the inquiry approaches should be disclosed:

Please visit the MOPS (http://newmops.twse.com.tw/) or the Company's website (http://www.primax.com.tw/) for the Company's corporate governance best practice principles and the relevant regulations.

(8) Other important information that helps understand the operation of corporate governance: None

(9) The following matters should be disclosed for the implementation of internal control systems

1. Internal Control Declaration

PRIMAX Electronics Limited
Statement of Internal Control System

Date: March 24, 2016

The Company's 2015 internal control system is declared as follows in accordance with the results of the self-examination:

I. The Company is fully acknowledged that it is the responsibility of the Board of Directors and the management to establish, executes, and maintains the internal control system. The Company has already had established such a system. The purpose is to have the operating effect and efficiency (including profitability, performance, assets security, etc.), reported reliably, timely, transparently, and in compliance with the relevant specifications, law, and regulations, and with reasonable assurance provided.

II. Internal control system has its inherent limitations, regardless how perfect the design is. An effective internal control system can only provide a reasonable assurance for the achievement of the three objectives referred to above. Moreover, due to changes in the environment and situation, the effectiveness of the internal control system may thus vary along with it. However, the Company's internal control system is designed with a self-monitoring mechanism. Therefore, the Company will be able to take action to have nonconformities corrected upon identification.

III. The Company has based on the internal control system effectiveness criteria of the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Regulations") to determine whether the internal control system design and implementation is effective or not. According to the internal control system effectiveness criteria of the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the internal control system is classified into five composing elements in accordance with the management and control process, including: 1. environment control, 2. risk assessment, 3. control operation, 4. information and communication, and 5. supervise operation. Each composing element contains a number of projects. Please refer to the "Regulations Governing Establishment of Internal Control Systems by Public Companies" for the projects in the preceding paragraph.

IV. The Company has adopted the internal control system criteria in the preceding paragraph to assess the effectiveness of the internal control system design and execution.

V. The Company based on the assessment result in the preceding paragraph, believes that the Company's internal control system on December 31, 2015 (including the supervision and management of subsidiaries), including understanding the operational results and effectiveness and the level of efficiency achieved, is reported reliably, timely, transparently, and in compliance with the relevant specifications, laws, and regulations, and the internal control system design and implementation is valid and can provide reasonable assurance of achieving the above objectives.

VI. This Declaration will be the focus of the Company's annual report and prospectus, and it will be published to the public. If the information disclosure in the preceding paragraph involves fraudulent, concealment, and any false presentation, the relevant legal obligation for such violation will be handled in accordance with Article 20, Article 32, Article 171, and Article 174 of the Securities Exchange Act.

VII. The Declaration was resolved in the Board meeting without any attending director opposed it and with 9 attending directors agreed to it on March 24, 2016; in addition, the contents of the Declaration were approved without any objection raised.

PRIMAX Electronics Limited

Chairman: Signature

General Manager: Signature

2. If the internal control system is commissioned to CPAs for project review, the CPA's review report should be disclosed: None

(10) The Company and its internal staff had been disciplined lawfully; the disciplinary action had been brought against the internal staff for violating internal control system, the major nonconformities, and the corrective action in the most recent year and as of the printing date of the annual reports: None.

(11) Important resolutions reached in the shareholders' meeting and board meeting in the most recent year and as of the printing date of the annual report.

1. The content of the important resolution reached in the shareholders' meeting and its implementation.

Time	Important issues
6.29.2015	1. Passed the Company's 2014 business report and financial report. 2. Passed the retroactive recognition of the vested conditions of the new restricted employee shares issuance. 3. Passed the Company's 2014 earnings distribution proposal. Implementation: Scheduled the distribution base date on 8/5/2015 and the payment date on 8/5/2015 for a cash dividend of NT$1.8 per share. 4. Passed the amendment of the Company's "Articles of Association". Implementation: The registration was approved by the Ministry of Economic Affairs on 7/21/205 and it was published on the Company's website. 5. Passed the Company's "Procedures for Election of Directors and Supervisors". Implementation: It had been processed in accordance with the amended procedures. 6. Passed the Company's "Regulations Governing Loaning of Funds". Implementation: It had been processed in accordance with the amended procedures. 7. Passed the Company's "Regulations Governing Making of Endorsements/Guarantees". Implementation: It had been processed in accordance with the amended procedures. 8. Passed the Company's "Regulations Governing the Acquisition and Disposal of Assets". Implementation: It had been processed in accordance with the amended procedures. 9. Full election of directors. The List of the elected Directors: Liang, Li-Sheng, Yang, Hai-Hung, Yang, Chi-Ting, Pan Yung-Tai, Pan, Yung-Chung, and Tsao, Chung-Feng The List of the elected Independent Directors: Ku, Tai-Chao, Wei, Yung-Tu, and Cheng, Chih-Kai. Implementation: The registration was approved by the Ministry of Economic Affairs on 7/21/205 and it was published on the Company's website. 10. Passed the proposal of lifting the non-compete clause against the newly elected directors.

2. Important resolutions of the Board of Directors

Time	Important issues
1.22.2015	1. Passed the proposals of the Company's 2014 bonus to the management and 2013 bonus to employees. 2. Passed the proposal of the Company's 2014 bonus to the Chairman. 3. Passed the List of Employees and Number of Shares for the Company's 2014 new restricted employee shares issued for the first time.
3.24.2015	1. Passed the plan of recognizing the vested conditions of the 2014 new restricted employee shares issuance in the 2015 general shareholders' meeting. 2. Passed the adjustment of the Company's 2015 remuneration to the management proposal. 3. Passed the Company's 2015 bonus to the management and key officer's proposal. 4. Passed the Company's 2015 remuneration to the Chairman proposal. 5. Passed the 2014 earnings distribution proposal. 6. Passed the amendment of the Company's "Articles of Association". 7. Passed the Company's "Procedures for Election of Directors and Supervisors". 8. Passed the Company's "Regulations Governing Loaning of Funds". 9. Passed the Company's "Regulations Governing Making of Endorsements/Guarantees". 10. Passed the Company's "Regulations Governing the Acquisition and Disposal of Assets". 11. Passed the full election of the Board members proposal. 12. Passed the Company's 2015 general shareholders' meeting date, time, place, and the content of the motions. 13. For the Company's 2015 general shareholders' meeting convened to elect independent directors, plan for the candidate nomination related matter for the election of independent directors. 14. Passed the proposal of lifting the non-compete clause against the newly elected directors.

III. Corporate Governance Report

Time	Important issues
5.13.2015	1. Passed the proposal of the Company's CPAs replacement. 2. Passed the nomination and review of the independent directors in the Company's 2015 general shareholders' meeting.
7.7.2015	1. Passed the new Chairman election proposal. 2. Passed the Company's 2014 ex-dividend date and payment date for the distribution of cash dividend. 3. Passed the establishment of the Audit Committee and the enactment of the "Audit Committee Charter". 4. Passed the amendment of the "Procedures for Ethical Management and Guidelines for Conduct." 5. Passed the commission of the 3rd Remuneration Committee member proposal. 6. Passed the amendment of the "Remuneration Committee Charter". 7. Passed the proposal of the remuneration to independent directors.
8.13.2015	1. Passed the Company's 2014 new restricted employee shares issued for the second time.
11.13.2015	1. Passed the proposal of exempting the Company from enacting the "Enhancing the Company's Ability in Preparing Financial Statements Prospectus Implementation Report" and exempting from being included in the internal control follow-up items and reporting the implementation result to the Board of Directors on a quarterly basis. 2. Passed the Company's "Rules Governing Remuneration to the Management" enacted for replacing the former "Rules Governing Remuneration and Prize Money to the Management" that was approved on January 18, 2012. 3. Passed the Company's "Rules Governing Remuneration to the Chairman" enacted. 4. Passed the "Procedures for Applying Trade Suspension and Trade Resumption" enacted. 5. Passed the Company's making of endorsements/guarantees for the subsidiary, Primax Destiny Co., Ltd.
1.25.2016	1. Passed the proposal of the Company's 2015 bonus to the management. 2. Passed the proposal of the Company's 2015 bonus to the Chairman. 3. Passed the amendment of the Company's "Articles of Association". 4. Passed the Company's "Corporate Governance Best Practice Principles" enacted.
3.24.2016	1. Passed the Company's regular assessment of the CPA's independence. 2. Passed the repeal of the Company's "Rules Governing the Commissioned Manager Pension Plan". 3. Passed the amendment of the Company's "Rules Governing Remuneration to Chairman". 4. Passed the amendment of the Company's "Rules Governing Remuneration to the Management". 5. Passed the proposal for the adjustment of the Company's 2016 remuneration to the management. 6. Passed the Company's 2016 bonus to the management and key officer's plan. 7. Passed the Company's 2016 Chairman Performance Standard and Bonus Plan. 8. Passed the proposal of issuing "New Restricted Employee Shares". 9. Passed the proposal of the Company's 2015 earnings distribution. 10. Passed the proposal of the Company's 2015 remuneration to directors and remuneration to employees. 11. Passed the Company's 2016 general shareholders' meeting date, time, place, and the content of the motion. 12. Passed the proposal of lifting the non-compete clause against the directors. 13. Passed the amendment of the Company's "Corporate Social Responsibility Best-Practice Principles."
5.12.2016	1. Passed the Company's current dividend policy. 2. Passed the Company's "Rules Governing the Performance Evaluation of the Board of Directors." 3. Passed the Company's long-term equity investment disposal proposal.

(12) For the matters resolved by the Board of Directors with the opposition or reservation of the directors or supervisors documented or written in the most recent year and as of the printing date of the annual report, please detail the content of the opposition or reservation: None.

(13) The summary of the resignation and discharge of the Company's Chairman and General Manager, Accounting Officer, Finance Officer, Internal Auditor, and R&D Director in the most recent year and as of the printing date of the annual report: None.

5. CPAs fees

Name of CPA firm	Name of CPAs	Audit period	Remark
KPMG	Huang, Yung-Hua、Yu, Chi-Lung	2015	—

Unit: NT$1,000

	Range of Amount / Audit fees classification	Audit fees	Non-audit fees	Total
1	Under 2,000	—	—	—
2	2,000 (inclusive) ~ 4,000	—	—	—
3	4,000 (inclusive) ~ 6,000	—	—	—
4	6,000 (inclusive) ~ 8,000	—	—	—
5	8,000 (inclusive) ~ 10,000	8,820	—	8,820
6	10,000 and more	—	—	—

For the CPAs fee containing any of the following circumstances, the following information should be disclosed:

(I) If the non-audit fee paid to auditors, the audit firm, and its affiliates accounted for more than one-fourth of total audits fees, the audit fee and non-audit fee amount and non-audit service content should disclosed.

Name of CPA firm	Name of CPAs	Audit fees	Non-audit fees					CPA's auditing period	Remark
			System design	Industrial and commercial registration	Human resources	Others	Subtotal		
KPMG	Huang, Yung-Hua Yu, Chi-Lung	8,820	0	0	0	0	0	2015 The full year	—

(II) If the audit firm was replaced and the audit fee paid to the new audit firm was less than the payment of the previous year, the audit fee amount before and after the replacement and the reasons called for the replacement should be disclosed: None.

(III) If the audit fee reduced more than 15% from the year before, the decrease of the audit fee amount and ratio and the reason for such decrease should be disclosed: None.

6. CPAs replacement

(1) Information of former CPAs:

Date of replacement	05.13.2015
Reason for replacement and explanation	KPMG internal work adjustment
Please indicate whether the termination or rejection of the commission is initiated by the consigner or the CPAs.	None
Please state the opinions other than an unqualified opinion were rendered in the Auditor's Report within the last two years and the root causes.	None
Whether different from the opinion of the issuer or not?	None
Other disclosures (matters to be disclosed according to Article 10, Paragraph 5, Section 1, Clause 4 of this Rules)	None

(2) About the successor CPAs

Name of CPA Firm	KPMG
Name of CPAs	Huang, Yung-Hua and Yu, Chi-Lung
Commissioning date	05.13.2015
The advisory matters and results prior to the commission regarding the accounting treatment or accounting principle of specific transactions and the possible audit opinion on the financial report.	None
The written opinion of the successor CPAs regarding the oppositions to the opinions of the former CPA's.	None

(3) The written reply of the former CPAs on the matter stated in Article 10 Paragraph 5 Section 1 and Section 2 Clause 3 of this Rules: None.

7. If the Company's Chairman, General Manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise, their names, titles, and the service time with the accounting firms and affiliated enterprise should be disclosed: None.

8. The change in equity transfer and equity pledge of the directors, supervisors, managers, and shareholders with over 10% shareholding in the most recent year and as of the printing date of the annual report.

(1) Changes in equity transfer and equity pledge

Title	Name	2015		As of April 30, 2016	
		Number of shares increase (decrease)	Number of pledged shares increase (decrease)	Number of shares increase (decrease)	Number of pledged shares increase (decrease)
Chairman	Liang, Li-Sheng	0	0	0	0
Director/General Manager	Yang, Hai-Hung	(150,000)	0	0	0
Director	Yang, Chi-Ting	0	0	0	0
Director and General Manager of Business Department	Pan, Yung-Chung	0	0	0	0
Director and General Manager of Business Department	Pan Yung-Tai	234,612	0	0	0
Director and Vice General Manager	Tsao, Chung-Feng (Note 1)	70,000	0	10,000	0
Independent Director	Ku, Tai-Chao	0	0	0	0
Independent Director	Wei, Yung-Tu (Note 1)	0	0	0	0
Independent Director	Cheng, Chih-Kai (Note 1)	0	0	0	0
Independent Director	Liu, Jong-Shi (Note 2)	0	0	0	0
Supervisors	Tsai, You-Wei (Note 2)	0	0	0	0
Supervisors	Hsu, Chiang-Chan (Note 2)	0	0	0	0
Supervisors	Chang, Deh-Tsai (Note 2)	0	0	0	0
Senior Vice General Manager	Lee, Yi-Ping	(105,000)	0	(14,000)	0
Vice General Manager	Chou, Yen-Chou	60,000	0	100,000	0
Vice General Manager	Liu, Chia-Lun	120,000	0	15,000	0
Vice General Manager	Pan, Wu-Lung (Note 3)	586,530	0	0	0
Vice General Manager	Lee, Chiu-Sheng	40,000	0	45,000	0
Vice General Manager	Chiang, Yan-Ying (Note 4)	0	0	21,000	0
Vice General Manager	Chang, Ching-Kai (Note 4)	10,000	0	15,000	0
Vice General Manager	Chang, Yao-Han (Note 5)	0	0	15,000	0
Vice General Manager	Wei, Hao-San (Note 5)	0	0	0	0
Assistant General Manager	Pan, Yen-Jen	0	0	15,000	0

Note 1: Elected on June 29, 2015. Note 2: Discharged on June 29, 2015. Note 3: Retired on March 31, 2015.
Note 4: Inauguration on April 1, 2015. Note 5: Inauguration on October 7, 2015.

(2) The counterparty of equity transfer is a related party: None

(3) The counterparty of equity pledge is a related party: None

9. The Top-Ten shareholders who are related party mutually, or spouse, and relatives within the second degree of kinship

04.22.2016 / Unit: Shares

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees.		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
ALPINE ASIA INVESTMENTS LIMITED	28,581,062	6.47%	0	0	0	0	CAMPBELL TECHNOLOGY CORPORATION (Director: Yang, Hai-Hung)	Kindred within the 2nd tier	—

04.22.2016 / Unit: Shares

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees.		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Nan Shan Life Insurance Co., Ltd.	16,254,000	3.68%	0	0	0	0	None	None	—
CAMPBELL TECHNOLOGY CORPORATION	11,204,909	2.53%	0	0	0	0	ALPINE ASIA INVESTMENTS LIMITED (Director: Liang, Li-Sheng)	Kindred within the 2nd tier	—
Yeh, Yu-Fen	10,960,227	2.48%	0	0	0	0	None	None	—
Cathay Life Insurance Company, Ltd.	8,332,000	1.88%	0	0	0	0	None	None	—
Pan, Yung-Chung	8,291,046	1.88%	0	0	0	0	None	None	—
The new labor pension fund 101 2nd discretionary Cathay investment account	6,723,500	1.52%	0	0	0	0	None	None	—
Public Service Pension Fund Management Board 2012 1st domestic discretionary Allianz Investment Trust investment account	6,370,000	1.44%	0	0	0	0	None	None	—
HSBC entrusted with Fulton Luxembourg Funds - Asian small capital	6,280,000	1.42%	0	0	0	0	None	None	—
American JP Morgan Chase Bank Taipei Branch entrusted with Central Bank of Saudi Arabia investment accounts	5,326,476	1.20%	0	0	0	0	None	None	—

10. The stock shares of one invested business held by the Company, the Company's directors, supervisors, and managers, and the business controlled by the Company directly or indirectly, and the consolidated shareholding ratio.

March 31, 2016 / Unit: 1,000 shares / %

Long-term Investment	Ownership by PRIMAX		Ownership by Directors, Managers and Directly/ Indirectly Owned Subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
Dongguan PRIMAX Electronic Telecommunication Products Co., Ltd.	– (Note 1)	100.00	–	–	– (Note 1)	100.00

March 31, 2016 / Unit: 1,000 shares / %

Long-term Investment	Ownership by PRIMAX		Ownership by Directors, Managers and Directly/ Indirectly Owned Subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
Primax Electronics (Kun Shan) Co., Ltd. .	– (Note 1)	100.00	–	–	– (Note 1)	100.00
Primax Electronics (Chongqing) Co., Ltd..	– (Note 1)	100.00	–	–	– (Note 1)	100.00
Beijing Destiny Electronic Technology Co., Ltd.	– (Note 1)	100.00	–	–	– (Note 1)	100.00
Destiny Technology (Japan) Corp.	0.5	100.00	–	–	0.5	100.00
Polaris Electronics Inc.	1,600	100.00	–	–	1,600	100.00
Primax Industries (Hong Kong) Ltd.	602,817	100.00	–	–	602,817	100.00
Primax Technology (Cayman Holding) Ltd.	285,067	100.00	–	–	285,067	100.00
Primax Industries (Cayman Holding) Ltd.	8,147,636	100.00	–	–	8,147,636	100.00
Destiny Technology Holding Co., Ltd	1,050	100.00	–	–	1,050	100.00
Diamond (Cayman) Holdings Ltd.	84,050	100.00	–	–	84,050	100.00
Gratus Technology Corp	300	100.00	–	–	300	100.00
Tymphany Worldwide Enterprises Ltd. (Note 2)	38,501	70.00	–	–	38,501	70.00
TYP Enterprises, Inc. (Note 2)	0.35	70.00	–	–	0.35	70.00
Tymphany HK Ltd. (Note 2)	101,077	70.00	–	–	101,077	70.00
TYMPHANY LOGISTICS, INC (Note 2)	140	70.00	–	–	140	70.00
Premium Loudspeakers (Huizhou) Co., Ltd. (Note 2)	– (Note 1)	70.00	–	–	– (Note 1)	70.00
Dongguan Tymphany Acoustic Technology Co., Ltd. (Note 2)	– (Note 1)	70.00	–	–	– (Note 1)	70.00
Global TEK Fabrication Co., Ltd. (Note 3)	16,530	30.00	–	–	16,530	30.00
Global TEK Co., Ltd. (Note 3)	4,980	30.00	–	–	4,980	30.00
Global Tek Fabrication Co., Ltd. (Samoa) (Note 3)	3,750	30.00	–	–	3,750	30.00
Global Tek Co., Ltd. (Samoa) (Note 3)	2,760	30.00	–	–	2,760	30.00
Global Tek Fabrication Co., Ltd. (HK) (Note 3)	7,860	30.00	–	–	7,860	30.00
GP Tech. Inc. (Note 3)	6	30.00	–	–	6	30.00
Global Tek (WU'XI) Ltd. (Note 3)	– (Note 1)	30.00	–	–	– (Note 1)	30.00
WUXI Global Tek Fabrication Ltd. (Note 3)	– (Note 1)	30.00	–	–	– (Note 1)	30.00
Global Tek (XI'AN) Ltd. (Note 3)	– (Note 1)	30.00	–	–	– (Note 1)	30.00

Note 1: It is a company with limited liability; therefore, no stock shares issued.
Note 2: Indirectly holds 70% of the company's shares through Diamond (Cayman) Holdings Ltd.
Note 3: Indirectly holds 30% of the company's shares through Global TEK Fabrication Co., Ltd.

IV. Capital Overview

1. Capitalization

03.31.2016 Unit: Shares

Type of stock shares	Authorized capital stock			Remark
	Outstanding stock shares	Unissued stock shares	Total	
Common stock	441,793,824	58,206,176	500,000,000	Listed in TWSE

March 31, 2016 / Unit: NT$1,000; 1,000 shares

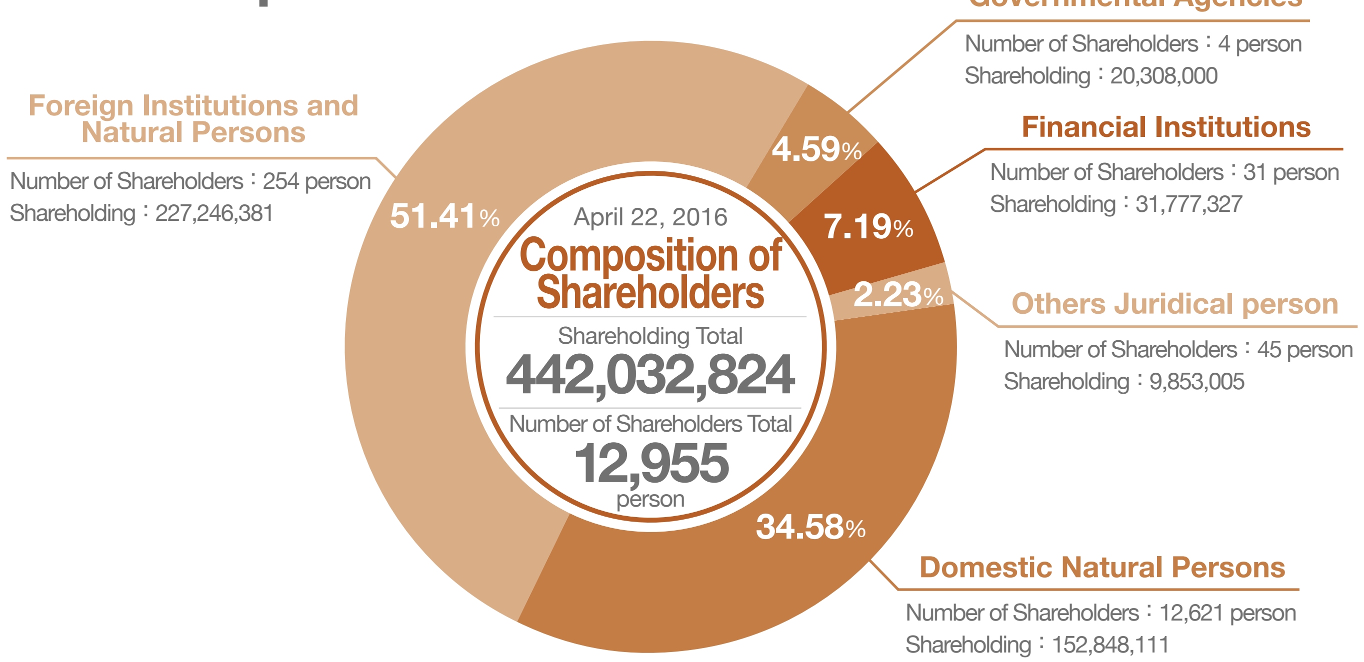
Year / Month	Issuing price	Authorized capital stock		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital increase by Assets other than cash	Others
2006.03	10	100	1,000	100	1,000	Initial capital stock	None	Note 1
2007.06	10	90,000	900,000	85,400	854,000	Capital increase in cash for NT$853,000 thousand	None	Note 2
2007.09	10	400,000	4,000,000	321,500	3,215,000	Capital increase in cash for NT$2,361,000 thousand	None	Note 3
2007.11	10	400,000	4,000,000	379,000	3,790,000	Capital increase in cash for NT$575,000 thousand	None	Note 4
2009.11	10	500,000	5,000,000	379,935	3,799,349	Conversion of employee stock warrant for NT$9,349 thousand	None	Note 5
2010.04	10	500,000	5,000,000	383,079	3,830,791	Conversion of employee stock warrant for NT$31,442 thousand	None	Note 6
2010.09	10	500,000	5,000,000	385,336	3,853,364	Conversion of employee stock warrant for NT$22,573 thousand	None	Note 7
2011.01	10	500,000	5,000,000	386,397	3,863,965	Conversion of employee stock warrant for NT$10,601 thousand	None	Note 8
2011.03	10	500,000	5,000,000	397,475	3,974,746	Conversion of employee stock warrant for NT$110,781 thousand	None	Note 9
2011.12	10	500,000	5,000,000	398,439	3,984,399	Conversion of employee stock warrant for NT$9,653 thousand	None	Note 10
2012.04	10	500,000	5,000,000	401,080	4,010,798	Conversion of employee stock warrant for NT$26,399 thousand	None	Note 11
2012.05	10	500,000	5,000,000	401,458	4,014,582	Conversion of employee stock warrant for NT$3,785 thousand	None	Note 12
2012.10	10	500,000	5,000,000	403,441	4,034,408	Conversion of employee stock warrant for NT$19,826 thousand	None	Note 13
2012.10	10	500,000	5,000,000	426,970	4,269,698	Capital increase in cash for NT$235,290 thousand	None	Note 13
2013.03	10	500,000	5,000,000	428,966	4,289,658	Conversion of employee stock warrant for NT$19,960 thousand	None	Note 14
2013.05	10	500,000	5,000,000	431,346	4,313,457	Conversion of employee stock warrant for NT$23,799 thousand	None	Note 15
2013.10	10	500,000	5,000,000	432,796	4,327,957	Stock dividend – new restricted employee shares for NT$14,500 thousand	None	Note 16
2013.12	10	500,000	5,000,000	433,573	4,335,733	1. Conversion of employee stock warrant for NT$5,916 thousand 2. Stock dividend – new restricted employee shares for NT$1,860 thousand	None	Note 17
2014.03	10	500,000	5,000,000	433,981	4,339,813	1. Conversion of employee stock warrant for NT$2,730 thousand 2. Stock dividend – new restricted employee shares for NT$1,350 thousand	None	Note 18
2014.06	10	500,000	5,000,000	433,831	4,338,313	1. Conversion of employee stock warrant for NT$750 thousand 2. Cancellation of new restricted employee shares for NT$2,250 thousand	None	Note 19
2014.08	10	500,000	5,000,000	434,051	4,340,513	1. Stock dividend – new restricted employee shares for NT$2,200 thousand	None	Note 20
2014.12	10	500,000	5,000,000	434,658	4,346,578	1. Conversion of employee stock warrant for NT$7,015 thousand 2. Cancellation of new restricted employee shares for NT$950 thousand	None	Note 21
2015.03	10	500,000	5,000,000	438,649	4,386,487	1. Conversion of employee stock warrant for NT$27,659 thousand 2. Stock dividend – new restricted employee shares for NT$12,250 thousand	None	Note 22
2015.06	10	500,000	5,000,000	439,529	4,395,287	1. Conversion of employee stock warrant for NT$8,800 thousand	None	Note 23
2015.09	10	500,000	5,000,000	441,214	4,412,137	1. Stock dividend – new restricted employee shares for NT$17,750 thousand 2. Cancellation of new restricted employee shares for NT$900 thousand	None	Note 24
2016.01	10	500,000	5,000,000	441,188	4,411,877	1. Conversion of employee stock warrant for NT$1,640 thousand 2. Cancellation of new restricted employee shares for NT$1,900 thousand	None	Note 25

March 31, 2016 / Unit: NT$1,000; 1,000 shares

Year / Month	Issuing price	Authorized capital stock		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital increase by Assets other than cash	Others
2016.03	10	500,000	5,000,000	441,794	4,417,938	1. Conversion of employee stock warrant for NT$7,061 thousand 2. Cancellation of new restricted employee shares for NT$1,000 thousand	None	Note 26

Note 1: Fu-Jian-Shang-Zi No. 09574650700 Letter dated 03.20.2006.
Note 2: Jing-Shou-Shang-Zi No. 09601140030 Letter dated 06.26.2007.
Note 3: Jing-Shou-Shang-Zi No. 09601235870 Letter dated 09.27.2007.
Note 4: Jing-Shou-Shang-Zi No. 09601273090 Letter dated 11.07.2007.
Note 5: Jing-Shou-Shang-Zi No. 09801254590 Letter dated 11.04.2009.
Note 6: Jing-Shou-Shang-Zi No. 09901076470 Letter dated 04.16.2010.
Note 7: Jing-Shou-Shang-Zi No. 09901206110 Letter dated 09.13.2010.
Note 8: Jing-Shou-Shang-Zi No. 10001005610 Letter dated 01.11.2011.
Note 9: Jing-Shou-Shang-Zi No. 10001060980 Letter dated 03.31.2011.
Note 10: Jing-Shou-Shang-Zi No. 10001275550 Letter dated 12.05.2011.
Note 11: Jing-Shou-Shang-Zi No. 10101059950 Letter dated 04.09.2012.
Note 12: Jing-Shou-Shang-Zi No. 10101091810 Letter dated 05.22.2012.
Note 13: Jing-Shou-Shang-Zi No. 10101211370 Letter dated 10.12.2012.
Note 14: Jing-Shou-Shang-Zi No. 10201041250 Letter dated 03.07.2013.
Note 15: Jing-Shou-Shang-Zi No. 10201096770 Letter dated 05.28.2013.
Note 16: Jing-Shou-Shang-Zi No. 10201214400 Letter dated 10.22.2013.
Note 17: Jing-Shou-Shang-Zi No. 10201247440 Letter dated 12.11.2013.
Note 18: Jing-Shou-Shang-Zi No. 10301032580 Letter dated 12.11.2013.
Note 19: Jing-Shou-Shang-Zi No. 10301102920 Letter dated 06.12.2014.
Note 20: Jing-Shou-Shang-Zi No. 10301160910 Letter dated 08.14.2014.
Note 21: Jing-Shou-Shang-Zi No. 10301251420 Letter dated 12.12.2014.
Note 22: Jing-Shou-Shang-Zi No. 10401045290 Letter dated 03.24.2015.
Note 23: Jing-Shou-Shang-Zi No. 10401110510 Letter dated 06.29.2015.
Note 24: Jing-Shou-Shang-Zi No. 10401190870 Letter dated 09.17.2015.
Note 25: Jing-Shou-Shang-Zi No. 10401282090 Letter dated 01.04.2016.
Note 26: Jing-Shou-Shang-Zi No. 10501040780 Letter dated 03.08.2016.
Note 27: Employee stock option had been exercised for an amount of NT$3,683,500, but the amendment registration is not yet completed.

2. Composition of Shareholders



3. Distribution Profile of Share Ownership

April 22, 2016 / Unit: person; shares

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership	Ownership (%)
1 to 999	248	37,888	0.01%
1,000 to 5,000	9,386	20,242,525	4.58%
5,001 to 10,000	1,549	12,947,554	2.93%
10,001 to 15,000	402	5,368,927	1.21%
15,001 to 20,000	365	6,888,982	1.56%
20,001 to 30,000	256	6,675,746	1.51%
30,001 to 50,000	234	9,689,888	2.19%
50,001 to 100,000	190	13,500,835	3.05%
100,001 to 200,000	90	13,120,505	2.97%
200,001 to 400,000	77	22,103,013	5.00%
400,001 to 600,000	30	14,681,289	3.32%
600,001 to 800,000	25	17,088,278	3.87%
800,001 to 1,000,000	18	16,412,621	3.71%
Over 1,000,001	85	283,274,773	64.09%
Total	**12,955**	**442,032,824**	**100.00%**

4. List of Major Shareholders

April 22, 2016 / Unit: Shares

Shares / Name of Major Shareholders	Total Shares Owned	Ownership (%)
ALPINE ASIA INVESTMENTS LIMITED	28,581,062	6.47%
Nan Shan Life Insurance Co., Ltd.	16,254,000	3.68%
CAMPBELL TECHNOLOGY CORPORATION	11,204,909	2.53%
Yeh, Yu-Fen	10,960,227	2.48%
Cathay Life Insurance Company, Ltd.	8,332,000	1.88%
Pan, Yung-Chung	8,291,046	1.88%
The new labor pension fund 2012 2nd discretionary Cathay investment account	6,723,500	1.52%
Public Service Pension Fund Management Board 2012 1st domestic discretionary Allianz Investment Trust investment account	6,370,000	1.44%
HSBC entrusted with Fulton Luxembourg Funds - Asian small capital	6,280,000	1.42%
American JP Morgan Chase Bank Taipei Branch entrusted with Central Bank of Saudi Arabia investment accounts	5,326,476	1.20%

5. Market price, net worth, earnings, and dividends per share within two (2) years and the related information

Item / Year		2014	2015	01.01.2016~03.31.2016
Market price per share	Highest Market Price	54.2	48.5	42.30
	Lowest Market Price	25.5	30.8	34.85
	Average Market Price (Note 1)	38.72	42.27	38.98

Item		Year	2014	2015	01.01.2016~03.31.2016
Net worth per share	Before Distribution		21.16	23.90	24.56
	After Distribution		19.36	21.80	24.56
Earnings per share	Weighted average Shares (thousand shares)		432,362	436,372	438,198
	Earnings per share		3.57	4.06	0.91
Dividend per share (Note 2)	Cash dividend		1.8	2.1	0
	Stock dividend	Stock dividend from earnings	0	0	0
		Stock dividend from paid-in capital	0	0	0
	Accumulated Undistributed Dividends		0	0	0
Return on investment analysis (Note 3)	Price/Earning (P/E) ratio		10.85	10.41	10.71
	Price/Dividend (P/D) ratio		21.51	20.13	Not applicable
	Cash dividend yield rate		0.0465	0.0497	Not applicable

Note 1: The annual average market price is calculated according to the annual sales value and volume.

Note 2: The Company's 2015 earnings distribution proposal was resolved by the Board of Directors on March 24, 2016, but not yet presented in the shareholder's meeting for resolutions.

Note 3: P/E ratio = Current average closing price per share / Earnings per share.
P/D ratio = Current average closing price per share / Cash dividend per share.
Cash dividend yield rate = Cash dividend per share / Current average closing price per share.

6. The Company's dividend policy and its implementation

(1) Dividend policy enacted in the Company's Articles of Association:

The Company's annual net income, if any, should be distributed orderly as follows:

I. Making up losses

II. Appropriating 10% legal reserve thereafter. However, no legal reserve will be reserved further once it is equal to the total capital stock.

III. Special reserve should be appropriated or reversed in accordance with law or regulations or the instruction of the competent authorities.

IV. Appropriating an amount equivalent to 2~10% and an amount less than 2% of the net amount after deducting the amount stated in paragraph 1~3 as bonus to employees and remuneration to directors and supervisors, respectively.

V. The balance amount and the cumulative unappropriated earnings are the distributable earnings and the distribution is to be proposed by the Board of Directors and presented in the shareholders' meeting for resolutions.

The Company's dividend policy is to be determined by the Board of Directors by referring to the Company's operating conditions, capital expenditure budget, future fund needs and long-term financial planning; also, by taking the interest of shareholders and the balance of dividend into consideration. According to current dividend policy and without any specific conditions taken into consideration, it is for an amount not less than 50% of the net income. The earnings distribution is with stock dividend or cash dividend distributed. The cash dividend distribution ratio shall not be less than 10% of the total dividend, provided that the proportion of cash dividends paid may be adjusted in accordance with the overall operating conditions of the year.

(2) The distribution of dividend proposed in current year:

The Company's 2015 earnings distribution proposal was resolved by the Board of Directors on March 24, 2016 with a cash dividend of NT$927,932,930 to be distributed to shareholders. This earnings distribution proposal will be resolved in the general shareholders' meeting on June 20, 2016 and then processed accordingly.

IV. Capital Overview

7. The impact of the stock dividend proposed in the shareholders' meeting on the Company's business performance and the earnings per share: No dividend distribution scheduled

8. Remuneration to employees and remuneration to directors and supervisors

(1) The percentage or range of earnings as remuneration to employees and remuneration to directors and supervisors defined in the Company's Articles of Association

The Company's annual profits, if any, should be with 2-10% appropriated as remuneration to employees and with less than 2% appropriated as remuneration to directors in accordance with the amendment of the Articles of Association proposed in the shareholders' meeting. If the Company is with accumulated losses, an amount for making up the losses should be reserved in advance before appropriating remuneration to employees and remuneration to directors and supervisors according to the ratio referred to above.

The remuneration to employees paid with stock or cash in the preceding paragraph is also available to the qualified employees of the subsidiaries.

The annual profits stated in the second paragraph refer to the net income before tax and before deducting the remuneration to employees and remuneration to directors and supervisors.

The remuneration to employees and remuneration to directors and supervisors must be with the consent of the majority of the presenting directors in the Board meeting that is with two thirds of the directors attended; in addition, the resolution must be reported in the shareholders' meeting.

(2) The accounting treatment for the estimation basis used to estimate current remuneration to employees and remuneration to directors and supervisors, the number of shares applied for the calculation of stock dividend to employees as remuneration, and the difference between the actual distribution amount and the estimated amount.

The Company's remuneration to employees and remuneration to directors according to the Company Law and the Company's Articles of Association is in conformity with the requirements of (96) Ji-Mi-Zi No. 052 Letter of the Accounting Research and Development Foundation. While preparing interim and annual financial statements, estimate the remuneration to employees and remuneration to directors in advance that are to be booked in the respective account as operating cost or operating expense according to the nature of such remuneration paid. The difference between the earnings distribution resolved in the shareholders meeting and the estimated distribution amount in the financial statements should be treated as change in estimates and it is to be booked as profit or loss.

(3) The distribution of remuneration resolved by the Board of Directors:

1. The remuneration to employees and remuneration to directors and supervisors paid with cash dividend or stock dividend. If the actual expense amount differs from the estimated amount, the amount of difference, root cause, and accounting treatment should be disclosed.

The Company's Board of Directors resolved on March 24, 2016 to have remuneration to employees in cash and remuneration to directors and supervisors distributed for an amount of NT$78,500,000 and NT$32,000,000, respectively, which was different from the estimated amount of NT$78,268,840 and NT$$31,907,533 by an amount of (NT$231,160) and (NT$92,467) due to a change in accounting estimates. Once the actual distribution amount is resolved in the shareholders' meeting and the change in estimate is not significant enough to have the financial statements recomposed, the amount of difference will be recognized as profit or loss in the following year.

2. The ratio of remuneration to employees paid with stock dividend to the total of net income and remuneration to employees:
   The Company has not proposed the distribution of stock dividend to employees; therefore, it is not applicable.

(4) If the actual distribution of remuneration to employees, directors, and supervisors in the previous year (including number of shares distributed, amount, and stock price) was different from the remuneration to employees, directors, and supervisors recognized, the amount of difference, root cause, and accounting treatment should be detailed.

The Company had cash dividend to employees and remuneration to directors and supervisors distributed in 2014 for an amount of NT$71,000,000 and NT$27,800,000, respectively, which was different from the estimated amount of NT$71,318,216 and NT$$28,527,286 by an amount of NT$318,216 and NT$727,286 due to a change in estimates. Also, the change in estimate was not significant enough to have the financial statements recomposed; the amount of difference would be recognized as profit or loss in the following year.

9. The Company's buying back shares: None

10. The process of corporate bonds, preferred stock, and GDR: None

11. Employee stock warrant status

(1) Outstanding employee stock warrant status and its impact on shareholders' equity

The Company merged the former Primax on 12.28.2007 and acquired its related employee stock warrant previously issued; also, it was exchanged for the employee stock warrant issued by Primax Electronics Holdings, LTD. (British Cayman Islands) as the main business entity in 2008; also, all rights and obligations were the same as those offered by the former Primax Electronics Holdings, LTD. (British Cayman Islands) had intended to propose a dissolution and liquidation plan in 2009; therefore, it was again exchanged for the employee stock warrant issued by Primax as the main business entity and with all rights and obligations same as those offered by Primax Electronics Holdings, LTD. (British Cayman Islands). The Company's Board of Directors for the issuance of stock and employee stock warrant had the 2008 1st and 2nd employee stock warrant issuance and subscription approach amended on November 12, 2009 that was approved by the Securities and Futures Bureau with SFC.Far.Zi No. 0980062637 Letter issued. In addition, the Company in consideration of the annual expansion of the scale of operation, in order to strengthen the existing management team, has the 2011 employee stock warrant issuance and stock subscription approach enacted on September 30, 2011 that was approved by the Securities and Futures Bureau with SFC.Far.Zi No. 1000051000 Letter issued on October 26, 2011. The Company's respective issuance of employee stock warrant is shown as follows:

April 30, 2016

Type of Stock Option	1st Tranche ESOP in 2008 (Note 1)		ESOP issued in 2011 (Note 2)	
The effective date of declaration	2009.12.1	2009.12.1	2011.10.26	2011.10.26
Issuance date (Note 3)	2008.1.2	2009.11.12	2011.11.24	2012.10.22
Duration	8 years	8 years	5 years	5 years
Number of stock warrant issued (Note 4)	6,482,700	370,440	1,500	3,500
Ratio of number of stock option to the total number of outstanding shares (%)	1.47	0.08	0.34	0.79
Subscription period	A 43% stock option can be exercised starting from the 4th year to the end of the 6th year and the remaining 57% stock option can be exercised starting from the 6th year to the end of the 8th year.	A 43% stock option can be exercised starting from the 4th year to the end of the 6th year and the remaining 57% stock option can be exercised starting from the 6th year to the end of the 8th year.	A 50% stock option can be exercised at the end of the 2nd year; also, a 100% stock option can be exercised at the end of the 3rd year till the expiry date.	A 50% stock option can be exercised at the end of the 2nd year; also, a 100% stock option can be exercised at the end of the 3rd year till the expiry date.
Mode of exercise	Exchange for new shares	Exchange for new shares	Exchange for new shares	Exchange for new shares
Period and ratio restricted for subscription (%)	Note 1	Note 1	Note 2	Note 2
Quantity of shares acquired through exercise of ESOP	6,174,000	159,289	675,000	1,233,000
Amount of stock option exercised	70,507,084	1,819,081	12,040,000	33,344,700
Quantity of shares not being subscribed under ESOP (Note 5)	308,700	211,151	825,000	2,267,000
Subscription price per share for the unexercised options	11.42	11.42	17.10	26.50
Quantity of shares not being subscription under the exercise of options in proportion to total outstanding shares (%)	0.07	0.05	0.19	0.51
The impact on shareholders' equity	The stock warrant will be executed annually after three years and five years from the issuing date; also, the former shareholding's equity will be diluted year after year with a limited dilution effect.	The stock warrant will be executed annually after three years and five years from the issuing date; also, the former shareholding's equity will be diluted year after year with a limited dilution effect.	The stock warrant will be executed annually after two years and three years from the issuing date; also, the former shareholding's equity will be diluted year after year with a limited dilution effect.	The stock warrant will be executed annually after two years and three years from the issuing date; also, the former shareholding's equity will be diluted year after year with a limited dilution effect.

Note 1: The employee stock warrant issued currently is for 8 years starting from the issuing date of the former Primax Electronics Holdings, Ltd. employee stock warrant and it is executed in accordance with the following schedule in a lump sum. The stock option that was not exercised on the expiry date will be deemed as a waiver and the stock option holders may not assert their stock option rights.

Schedule:

A 43% stock option can be exercised starting from the 4th year to the end of the 6th year.

A 57% stock option can be exercised starting from the 6th year to the end of the 8th year.

If the employees with the stock warrant had left the employment for any reason or had committed severe negligence of violating labor contracts or work rules, or poor job performance, the Company is entitled to have the outstanding stock warrant withdrawn and then have it reissued. The stock warrant recovered and then re-issued is effective starting from the re-issuing date. However, if the employees after the Company's public offering had left the employment for reasons or had committed severe negligence of violating labor contracts or work rules, or poor job performance, the Company is entitled to have the outstanding stock warrant withdrawn and then have it cancelled.

It was issued on 01.02.2008 and had expired.

Note 2: The current employee stock warrant is for five years. A 50% stock option can be exercised after having the "employee stock warrant" issued for two years starting from the issuing date and a 100% stock option can be exercised after three years from the issuing date. If the employees after receiving the stock warrant had left the employment for any reason or had committed severe negligence of violating labor contracts or work rules, or poor job performance, the Company is entitled to have the outstanding stock warrant withdrawn and then have it cancelled. The stock option that is not exercised on the expiry date will be deemed as a waiver and the stock option holders may not assert their stock option rights.

Note 3: Except for the stock warrant issued on 11.12.2009, 11.24.2011, and 10.22.2012, the issuing date of the remaining stock warrants by Primax Electronics Holdings, LTD (British Cayman Islands) and former Primax as the main business entities referred to the employee stock warrant issued on 12.30.2008 by the Company as the business entity.

Note 4: That was the units issued on 12.01.2009 and 10.26.2011 with the approval of the Financial Supervisory Commission, respectively. In addition, except for the 2011 employee stock warrant subject to the subscription of 1,000 shares per unit while the remaining respective employee stock warrant is subject to 1 share per unit.

Note 5: It is the balance of the issued unit net of the unit executed and invalid and cancelled unit.

(2) The managers received employee stock warrant and the name, acquisition, and subscription of the employees on the top-ten stock warrant subscribers list for an amount over NT$30 million:

April 30, 2016 / Unit: NT$1,000 ; 1,000 shares / %

	Title	Name	Number of Options Granted	The quantity of subscription units in proportion to the total subscription quantity	Exercised				Unexercised			
					Shares Exercise	Exercise Price Per Share	Value of Shares Exercised	% of Shares Exercised to Outstanding Common Shares	Shares Unexercised	Unexercised Price Per Share	Value of Shares Unexercised	% of Shares Unexercised to Outstanding Common Shares
Managers	Director/ General Manager	Yang, Hai-Hung	5,830	1.32	4,969 50 50 125	11.42 18.20 17.90 26.50	56,749 910 895 3,312	1.18	211 425	11.42 26.50	13,673	0.14
	General Manager of Business Department	Pan Yung-Tai										
	Vice General Manager	Tsao, Chung-Feng										
	Vice General Manager	Chou, Yen-Chou										
	Vice General Manager	Liu, Chia-Lun										
	Vice General Manager	Lee, Chiu-Sheng										
	Vice General Manager	Chiang, Yan-Ying										
	Vice General Manager	Chang, Ching-Kai										
	Vice General Manager	Wei, Hao-San										
	Vice General Manager	Chang, Yao-Han										
Employees	Not Applicable (Note: 1)	—	—	—	—	—	—	—	—	—	—	—

Note 1: The top-ten employee stock warrant subscribers refer to the employees other than the managers.

(3) The private placement of employee stock warrant in the last three years: None

12. The process of new restricted employee shares

(1) The process of new restricted employee shares without fulfilling the vested conditions completely and its impact on shareholders:

April 30, 2016

Type of new restricted employee shares	The first issue in 2013	The fourth issue in 2013	The first issue in 2014	The second issue in 2014
The effective date of declaration	7/31/2013	7/31/2013	10/6/2014	10/6/2014
Issuing date	10/01/2013	7/17/2014	02/24/2015	8/18/2015
Number of new restricted employee shares issued (shares)	1,450,000	220,000	1,225,000	1,775,000
Issuing price	0	0	0	0
Ratio of the number of new restricted employee shares issued to total outstanding shares (%)	0.33	0.05	0.28	0.40
Vested conditions of the new restricted employee shares	Shall comply with the Company's operating results and individual performance as defined in the Rules.		Shall comply with the Company's operating results and individual performance as defined in the Rules.	
The limitation of rights of the new restricted employee shares	1. Employees may not have the new restricted employee shares sold, mortgaged, transferred, gifted, pledged, or disposed in any form before fulfilling the vested conditions. 2. The attendance, motion, speech, and voting right of the shareholders' meeting should be implemented in accordance with the trust and depository contracts. 3. Except for the limitations in the preceding paragraph, the other rights of the new restricted employee shares received according to the Rules, including but not limited to stock dividends, bonuses and rights to additional paid-in capital, stock subscription from cash capital increase, voting right, etc., before fulfilling the vested conditions, are without any limitation same as the Company's common stock issued.		1. Employees may not have the new restricted employee shares sold, mortgaged, transferred, gifted, pledged, or disposed in any form before fulfilling the vested conditions. 2. The attendance, motion, speech, and voting right of the shareholders' meeting should be implemented in accordance with the trust and depository contracts. 3. Except for the limitations in the preceding paragraph, the other rights of the new restricted employee shares received according to the Rules, including but not limited to stock dividends, bonuses and rights to additional paid-in capital, stock subscription from cash capital increase, voting right, etc., before fulfilling the vested conditions, are without any limitation same as the Company's common stock issued.	
The custody of new restricted employee shares	It is handled in accordance with the trust depository method.		It is handled in accordance with the trust depository method.	
The process of new restricted employee shares received or subscribed before fulfilling the vested conditions	The new restricted employee shares received but not yet fulfilling the vested conditions will be called back without compensation by the Company and it will then be cancelled.		The new restricted employee shares received but not yet fulfilling the vested conditions will be called back without compensation by the Company and it will then be cancelled.	

IV. Capital Overview

April 30, 2016

Type of new restricted employee shares	The first issue in 2013	The fourth issue in 2013	The first issue in 2014	The second issue in 2014
Number of new restricted employee shares called or buyback (shares)	450,000	20,000	205,000	120,000
Number of new restricted employee shares derestricted (shares)	680,000	100,000	344,000	0
Number of new restricted employee shares (shares)	320,000	100,000	676,000	1,655,000
Ratio of the number of new restricted employee shares to the total outstanding shares (%)	0.07	0.02	0.15	0.37
The impact on shareholders' equity	No significant impact.	No significant impact.	No significant impact.	No significant impact.

Note: A total of 442,032,824 shares were issued on 04.30.2016.

(2) The name of the managers received new restricted employee shares and the top-ten employees and the number of shares obtained by each of the employees:

April 30, 2016

<table>
<tr><th colspan="2" rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Number of new restricted employee shares</th><th rowspan="2">Ratio of the number of new restricted employee shares to the total outstanding shares</th><th colspan="4">Released</th><th colspan="4">Unreleased</th></tr>
<tr><th>Number of shares</th><th>Issued price</th><th>Amount of issuance</th><th>Released Restricted Shares as a Percentage of Shares Issued</th><th>Number of shares</th><th>Issued price</th><th>Amount of issuance</th><th>Unreleased Restricted Shares as Percentage of Shares Issued</th></tr>
<tr><td rowspan="11">Managers</td><td>General Manager of Business Department</td><td>Pan Yung-Tai</td><td rowspan="11">1,880,000</td><td rowspan="11">0.43%</td><td rowspan="11">636,000</td><td rowspan="11">0</td><td rowspan="11">0</td><td rowspan="11">0.14%</td><td rowspan="11">1,244,000</td><td rowspan="11">0</td><td rowspan="11">0</td><td rowspan="11">0.28%</td></tr>
<tr><td>Senior Vice General Manager</td><td>Lee, Yi-Ping</td></tr>
<tr><td>Vice General Manager</td><td>Chou, Yen-Chou</td></tr>
<tr><td>Vice General Manager</td><td>Tsao, Chung-Feng</td></tr>
<tr><td>Vice General Manager</td><td>Liu, Chia-Lun</td></tr>
<tr><td>Vice General Manager</td><td>Lee, Chiu-Sheng</td></tr>
<tr><td>Vice General Manager</td><td>Chiang, Yan-Ying</td></tr>
<tr><td>Vice General Manager</td><td>Chang, Ching-Kai</td></tr>
<tr><td>Vice General Manager</td><td>Chang, Yao-Han</td></tr>
<tr><td>Vice General Manager</td><td>Wei, Hao-San</td></tr>
<tr><td>Assistant General Manager</td><td>Pan, Yan-Jen</td></tr>
</table>

April 30, 2016

<table>
<tr><th colspan="2" rowspan="2">Title</th><th rowspan="2">Name</th><th rowspan="2">Number of new restricted employee shares</th><th rowspan="2">Ratio of the number of new restricted employee shares to the total outstanding shares</th><th colspan="4">Released</th><th colspan="4">Unreleased</th></tr>
<tr><th>Number of shares</th><th>Issued price</th><th>Amount of issuance</th><th>Released Restricted Shares as a Percentage of Shares Issued</th><th>Number of shares</th><th>Issued price</th><th>Amount of issuance</th><th>Unreleased Restricted Shares as Percentage of Shares Issued</th></tr>
<tr><td rowspan="10">Employees</td><td>Senior Assistant General Manager</td><td>Chang, Chen-Deh</td><td rowspan="10">1,190,000</td><td rowspan="10">0.27%</td><td rowspan="10">441,000</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0.10%</td><td rowspan="10">749,000</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0.17%</td></tr>
<tr><td>Senior Assistant General Manager</td><td>Luo, Ming-Deh</td></tr>
<tr><td>Assistant General Manager</td><td>Ying, Chung-Wen</td></tr>
<tr><td>Assistant General Manager</td><td>Liu, Yung-Mu</td></tr>
<tr><td>Assistant General Manager</td><td>Chen, Ying-Shou</td></tr>
<tr><td>Assistant General Manager</td><td>Chiang, Chao-Chung</td></tr>
<tr><td>Assistant General Manager</td><td>Ho, Cheng</td></tr>
<tr><td>Assistant General Manager</td><td>Wu, Ta-Chuan</td></tr>
<tr><td>Assistant General Manager</td><td>Hu, Ching-Yuan</td></tr>
<tr><td>Assistant General Manager</td><td>Shan, Yi-Kuang</td></tr>
</table>

Note: A total of 442,032,824 shares were issued on 04.30.2016.

13. Stock acquisition or transfer from other companies with new shares issued

(1) Stock acquisition or transfer from other companies with new shares issued in the most recent year or as of the printing date of the annual report: None.

(2) Stock acquisition or transfer from other companies with new shares issued resolved in the Board meeting in the most recent year or as of the printing date of the annual report: None.

14. Fund plan and its execution

(1) Project content:

The prior issuance or private placement of marketable securities that was not yet completed or it was completed within the last three years without significant effect up to the last quarter prior to the printing date of the annual report: Not Applicable.

(2) Project execution:

Analyze the intended use of each project in the preceding paragraph up to the prior quarter of the printing date of the annual report, the execution, and comparison with the expected effect: Not Applicable.

V. Operation overview

1. Business content:

(1) Business Scope

1. The main business operations of the Company

- CB01020 Business equipment manufacturing industry
- CC01030 Electrical appliances and audio-video electronic products manufacturing industry
- CC01060 Wired communication machinery equipment manufacturing industry
- CC01070 Wireless communication machinery equipment manufacturing industry
- CC01080 Electronic components manufacturing industry
- CC01101 Controlled telecommunications radio frequency equipment manufacturing industry
- CC01110 Computer and peripheral equipment manufacturing industry
- CE01030 Optical instrument manufacturing industry
- F401021 Controlled telecommunications radio frequency equipment importing industry
- I301010 Information software services industry
- F113050 Computer and multifunction products wholesale industry
- F118010 Information software wholesale industry
- F213030 Computers and multifunction product retail industry
- F218010 Information software retail industry
- C805050 Industrial plastic products manufacturing industry
- CA02010 Metal structures and architectural components manufacturing industry
- CA02090 Metal wire products manufacturing industry
- F401010 International trade industry
- ZZ99999 In addition to the chartered business, the business not-prohibited or non-restricted by law is also permitted for operation.

2. Business ratio

Unit: NT$1,000

Item \ Year	2015	
	Total Sales	(%) of Total Sales
PC peripherals	30,586,105	46.63%
Non-PC peripherals	35,003,188	53.37%
Total	**65,589,293**	**100.00%**

3. The Company's current products (services)

PC peripheral products

① **Computer input device**
- Basic roller mouse
- Traditional optical mouse
- Advanced Laser mouse
- Wireless radio frequency optical and laser mouse
- Bluetooth mouse
- Wireless Bluetooth dual-mode mouse
- Wireless presenter
- Mini Mouse
- Wired keyboard
- Wireless keyboard
- Bluetooth keyboard
- Mechanical keyboard
- Game mouse and keyboard
- Backlit keyboard
- Notebook computer keyboards
- Ultra-thin tablet PC keyboard
- Keyboard module
- Smart TV remote control
- Living room input device
- MFi (Made for iPod, Made for iPhone) Wired Keyboard
- Bluetooth wireless game joystick
- Games peripherals
- Capacitive stylus pen

② **Notebook computer touch panel**

③ **Digital Writing Tablet**

④ **Network camera module**
- 300,000 pixel – 2-megapixel camera
- 2-megapixel autofocus web camera

Non-PC peripheral products

① **Mobile device components products**
- Mobile phone built-in camera and fingerprint identification module
  - 24-megapixel optical anti-shake camera module
  - 13-megapixel + 13-megapixel dual-camera module
  - 14-megapixel web camera module
  - Capacitive fingerprint identification module
  - Ultrasonic fingerprint identification module
- Communications peripheral equipment
  - Bluetooth headphones / Bluetooth stereo headphones / Bluetooth stereo module / Bluetooth desktop / car handsfree device / Bluetooth USB audio frequency signal receiver
  - Bluetooth GPS receiver / Bluetooth USB data transmission receiver
  - Desktop charging cradle / car charger / USB charging cable / Portable power supply unit / wireless charger / wireless charging module
  - MP3 charging dock / radio wired control device / remote
  - Phone data transmission lines / USB Card Receiver

② **Business equipment products**
- Image Scanner
  - Flatbed scanner
  - Automatic document feeder (ADF)
  - Automatic reversing document feeder (ARDF)
  - Double-sided automatic document feeder (DADF)
  - Office scanner module
  - Scanner module software and firmware development
- Printer
  - Black and white and color laser printer control panel development
  - Black and white and color laser printer software and firmware development
  - Dot matrix business printer
  - Thermal printer
  - Portable thermal photograph printer
- Multifunction Printers
  - Black and white and color laser Multifunction Printers
  - Multifunction Printers control panel development
  - Multifunction Printers software and firmware development
- Fax machine
  - Black and white fax machine
- Information processing device
  - Computer terminals
  - Mobile Internet devices
  - Point of sales (POS)
  - Cash register (CR)
  - Lottery Machines
- Office automation products
  - Shredder
  - Laminator
  - Binding machine
  - Paper cutter
- Smart Network Camera
  - Surveillance camera
  - Conference camera

③ **Digital home products**
- Portable wireless network storage device
- Bluetooth portable speaker
- One-piece soundbar (2.1, 5.1 sound track)
- Computers / audio speakers
- Speaker driver

④ **Wearable device products:**
- Smart Band
- Smart Watch

⑤ **Precision metal processing products**
- Automotive airbag systems spare parts
- Automotive fuel-saving systems spare parts
- Industrial instrumentation systems spare parts
- Aerospace industry-related metal spare parts
- Other metal precision processing

4. New products (service) development plan

PC peripheral products	Non-PC peripheral products	
·Computer input device mouse and keyboard ·Backlit keyboard ·Keyboard module ·Bluetooth and wireless controller and presenter ·Game mouse and keyboard ·Game console peripherals ·Multi-point touch panel ·Digital Writing Tablet ·Smart TV remote control ·Ultra-thin tablet PC keyboard and leather keyboard ·Capacitive stylus pen ·Bluetooth stylus pen ·Tablet phone game controller ·Living room input device ·Thin mechanical keyboard ·Thin film keyboard ·Tablet PC high-speed transmission expansion port ·Audio conference keyboard ·High wattage wireless charging device	**① Mobile device components products** Full HD thin NB camera module 8-megapixel fixed-focus camera module (front lens) 8-megapixel front look optical zoom lens camera module 13-megapixel closed-loop fast autofocus camera module 13-megapixel dual-lens zoom camera module 23.8-megapixel optical anti-shake + Auto-Focus camera module Phase difference fast focus camera module 13-megapixel +13-megapixel dual-lens camera module 13-megapixel +8-megapixel dual-lens zoom lens module Car panorama camera module 360° panorama / Sports camera Surveillance camera Phone fingerprint identification module Credit card fingerprint identification module	**② Business equipment products** Commercial double-sided automatic document feeder (DADF) scanner Commercial network scanner High-speed multifunction printer scanner module High-speed color laser printer control panel development Barcode label black and white / color printer High-speed B & W / Color Laser multifunction product control panel development Mobile Internet devices Point of Sales (POS) service machine control board development Portable photo printer and Internet of Things (IoT) interface development **③ Digital home products** Home Network Attached Storage (NAS) device Portable Wireless Network Attached Storage hard drive Digital home entertainment media server Digital home wireless audio system Portable Wireless Speaker Digital home-related applied software **④ Automotive electronics-related products**

(2) Industry Overview

1. Industry current status and development

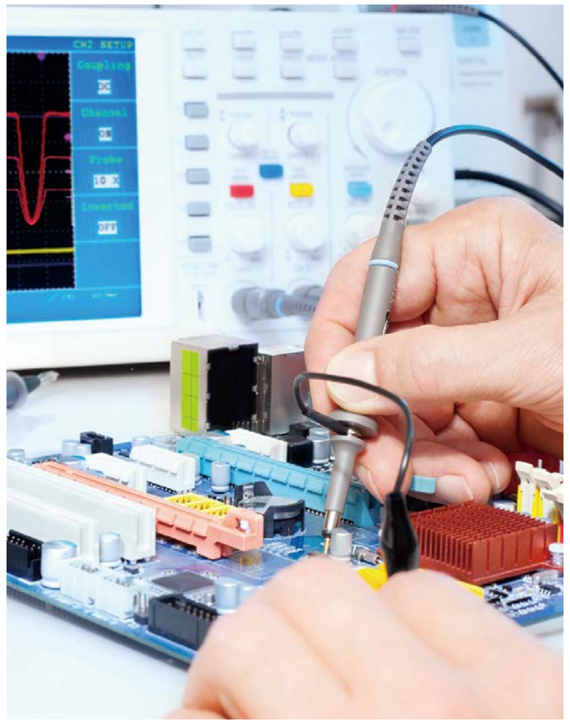
(1) PC peripheral products

The Group's PC peripheral products are mainly the keyboard and mouse of desktop and notebook computer; also, the market change of such product line is closely related to the development of personal computers. In recent years, the global market and Taiwan desktops and notebook computer sales had experienced negative growth due to the impact of the Tablet PC and Microsoft windows 10 failed to boost up demand for computers. However, the demand for tablet PC was also declining in the last year due to a saturated market; however, overall, desktop and notebook computer sales are mostly generated by the top-three brands moving towards the trend of "the bigger, the better." The Group had adopted the key-customer strategy to minimize the impact of a weak computer market. According to IDC, a well-known market research firm, the sale of Tablet PC had shown a negative growth for the first time in 2015, mainly due to a slowing demand of consumers in the market and the small tablet PC market was affected by the large inexpensive smartphones. However, compared to the slowdown in the consumer market, the commercial, educational and large-sized tablet computer market will gradually warm up. In terms of consumer demand and technology upgrade, detachable tablet PC has began to grow and the demand for input devices is also increasing. The Group has achieved preliminary results in the consumer tablet keyboard and will follow the trend of the commercial, educational, large-size tablet and detachable tablet PC to actively expand the market with stable growth. In addition, the cyber game market is growing in recent years. The upgrade of online game quality and network speed has generated the demand for advanced cyber game peripheral products. Under these circumstances, the Group has worked hard quietly from the early stages of the booming cyber game market and is now with five major cyber game brands in the market obtained as customers and the sales growth is expected to be even more significant in 2016.

(2) Non-PC peripheral products

① Mobile device components products

The global sales of smart phones had reached the mark of one billion units for the first time in 2014 and it has become the personal information and control center. The global smartphone market in 2016 will start slowly and then grow stronger. The global consumer market will drop rapidly in the first quarter and then start to climb back up in the second quarter. The growth of the Chinese market will temporarily stall and the emerging market will then become the growing power of the global smartphones. A total of 1.4 billion or more smartphones are expected to be sold in 2016.The continuing APP innovation has fueled the integrated application of the ecological chain, including mobile pay, Internet of All Things..., that gives us a great imagination for improving future human lifestyle, so the demand for the relevant mobile device components, such as, lens camera module, fingerprint identification, wireless charging and even a variety of sensing devices will grow gradually. In terms of lens camera module, the demand for high-end lens camera in 2016 will continue to grow, in addition to optical anti-shake, fast focusing and the trend of getting smaller and thinner, the application of dual-lens has been proposed gradually. In 2016, the 8-megapixel front camera lens and 13-megapixel rear camera lens will become the new mainstream. In addition, several new multi-camera lens applications will appear (mostly dual-lens) that challenge the camera vendor's packaging technology and the flexibility of production planning.



② Business equipment products

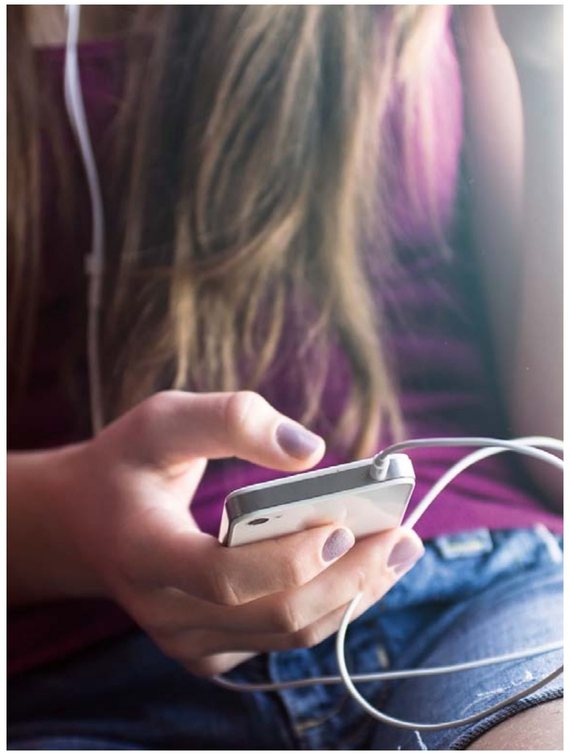
The Group's business equipment include image scanners, printers, multi-function printers (multi-function products), fax machine, information processing devices (such as: computer terminals and cash registers), and office automation products (such as: shredders and Laminator), etc., a wide range of products, among which, the scanners and multifunction products are the most important of all.

The technology of scanners, printers, and multifunction product is mature; therefore, even though each product is developed towards high-resolution and network-based, prices are still falling. The downturn of the global economy and slow growth of the emerging markets have caused the sales of printer and multi-function product hardware to decline continuously. According to the report of IDC, a market research firm, the global sales in 2014 has declined by 4.3% over the previous year, mainly due to the inkjet models (decreased by 3.6%) and slightly decreased (0.7%) in laser models. In addition, the prevailing mobile devices (smartphones and tablet PC) and digitization process had also impacted the printer market, causing the number of printers to decline continuously. According to the report of IDC, the global number of printed paper has continued to decline since the year of 2014.

The global printing management and document service in 2014 was with the printing peripheral supplier evaluation setup - to focus on managing the workflow service assessment report, so that people will once again focus on the management of the printing services market. In addition, along with the rapid growth of smartphones and tablet PC market, the manufacturers have massively developed innovative uses, such as, Cloud Printing and Cloud scanner. The users may have documents printed with Wi-Fi through the mobile device, or directly access the document image file. The application of these new functions has become essential features of multifunction printers. The demand for such new features and the expansion of the emerging markets has given the black and white and color printer a new growth momentum.

③ Digital home products

The home network environment is maturing along with the increasing popularity of the broadband network and transmission speed, added to the increasing Wi-Fi products, smartphone, tablet PC and related commodities, the network / computer / mobile device (smartphone / tablet computer) and TV / electrical appliances interface and operating system has a blurred boundary. Different platforms and devices can be all connected and become a seamless audio and video entertainment environment. The user interface is also more intuitive and user-friendly. Digital home-related products and applications have become an inevitable trend and it becomes the highlight of current consumer electronics and the favorite of major electronics exhibitions, such as, CES, CeBIT, IFA, etc. The use of digital home audio/video streaming along with the upgrade of wireless network broadband (IEEE802.11n MIMO, ac MU-MIMO) has better met consumer's expectations and led to the development of related products and services.



Each leading brand will continue to introduce more high-end related products recently, from UHD 4k LCD TV, all kinds of set-top boxes (such as, Apple TV, Roku, Google Chromecast, and Amazon Fire TV), Internet storage devices (eg NAS, DLNA wireless storage, etc.), audio and video entertainment servers (such as, Xbox One and PS4), wireless audio systems (e.g. Soundbar) ... etc. Both hardware manufacturers and Internet service providers had striven to upgrade product specifications and to improve sales in the last year. Although the product line and technology of each company may be different, from the perspective of market applications, audio/video streaming and cloud computing concepts related hardware and software applications have become the focus of the digital home product growth in the next few years.

The four screens and one cloud (TV screen, computer screen, mobile phone screen, tablet PC screen, and home private cloud) environment based on making the living room as a home entertainment center have met the consumer demands for video data storage (Personal Cloud) and convergence and sharing needs between devices. No matter if it is for hardware or software, the consumer demand for digital video, photos, music, file storage and management, and sharing and streaming is real and has helped create many new business opportunities.

For smart audio, after the outbreak of digital home, international companies have entered the market. The smart audio manufacturers strive to understand user needs and make innovation and improvements in order to enhance the competitiveness of their products. The feature of easy-to-carry is essential as the mobile smart hardware in the mobile Internet era.

However, some smart audios are big in size with the battery installed for a long standby mode while striving to maintain high-quality sound and use a number of speakers. Without the consideration of sound quality, the size of the smart audio can be smaller with the use of a standard battery so that smart audio can be operated with the power cord unplugged.

The sound quality of Smart audio had been criticized severely throughout the course of development in 2015. The Company aims to provide a high-quality sound experience, to invest sufficiently in R&D and the simulation of user aspect for stable sound quality, experience, and product. The over-emphasizing on smart audio products will have the essence of audio lost, because sound is closely interacting with human lives; therefore, the long-term use of smart audio should be for the pursuit of "good sound." Therefore, in 2016, the smart audio manufacturers will gradually return to basics to create high-quality sound first before addressing the concern of being smart. At the same time, if smart audio is to become an important tool to the control digital home; it must be able to bring convenience to users, rather than complicated operation or cumbersome and impractical features. For product developers in an era of the Internet, it must be able to expand the user base, for example, to obtain the support of partners by opening the connection port in order to enhance the control over the digital home.

④ Wearable device products:

The wearable device market had rapidly grown in the last two years and has attracted new companies, PC brands, and mobile device providers to invest resources and enter the industry. According to the report of the Business Insider, a well-known market research firm, the compound annual growth rate of the wearable device is estimated to reach 35% in 2015~2019; also, a total of 148 million units are expected to be shipped in 2019.Wearable devices include smart band, smart watch, Google glasses, etc., of which, the smart watch is ahead of the others with a 41% compound annual growth rate generated; also, it will take up 70% (59% currently) market share of the total wearable device in 2019.

Newly established companies, such as, Fitbit and Pebble had entered the wearable device market the earliest, followed by mobile device manufacturers, such as, Samsung, LG, Sony, etc. that had a smart watch with a higher price and more functions launched to meet the demands of more consumers. Wearable devices market is not yet mature; also, product applications, user interface, and operating system platform are still in rapid evolution. However, the continuing expectations of consumers in mobile computing and the participation of leading manufacturers, added to the smart watch launched by Apple with the attention of consumers gathered, wearable devices in the coming years will be one of the focuses for the growth of consumer electronics products.

⑤ Precision metal processing products

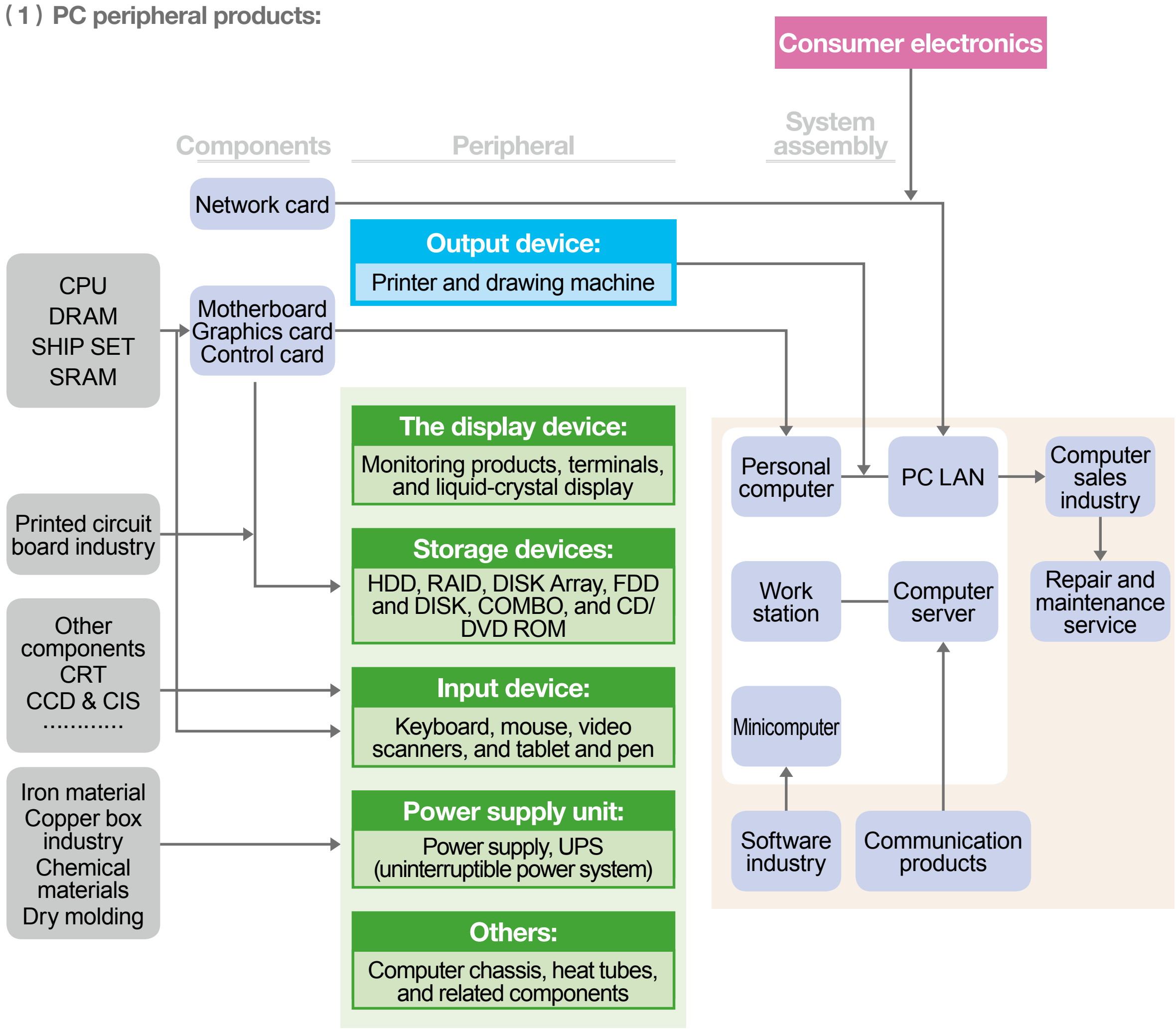
According to the report of LMC Automotive, global car sales are with an compound annual growth rate of 4.1% in 2011~2020; also, it will be increased from 89 million vehicles in 2015 to 111 million vehicles in 2020, with the strict regulations on automotive safety, energy efficiency, and emission in each country, there is enough room for the growth of airbags and fuel energy-saving systems. In addition, the global recall of Takata will cause the demand for airbags to grow substantially in the next 2 years. Therefore, in summary, the automobile-related products will continue to grow in 2016.

In terms of industrial instrumentation products, due to the continuing downturn of oil prices and reduced demands for oil-producing equipment, Emerson, a major manufacturer of industrial instrumentation products, estimates that in 2016~2017 the overall market demand will drop by 8-10%; therefore, the key to maintaining competitiveness is to increase the complexity of the casting and special materials products and to enhance added value.

According to the forecast of Boeing and Airbus on the purchase orders for commercial aircraft, the annual number of airplanes delivered will be increased from 1,397 units in 2015 to 2,162 units in 2034, representing a compound annual growth rate of 4%. However, the market demand exceeds supply substantially; therefore, taking 2013-2015 as an example, the average ordering quantity in three years was over 2,000 units; therefore, aircraft manufacturers will expand the supply chain to increase production capacity in the long-run in order to build up the industry with a stable growth.

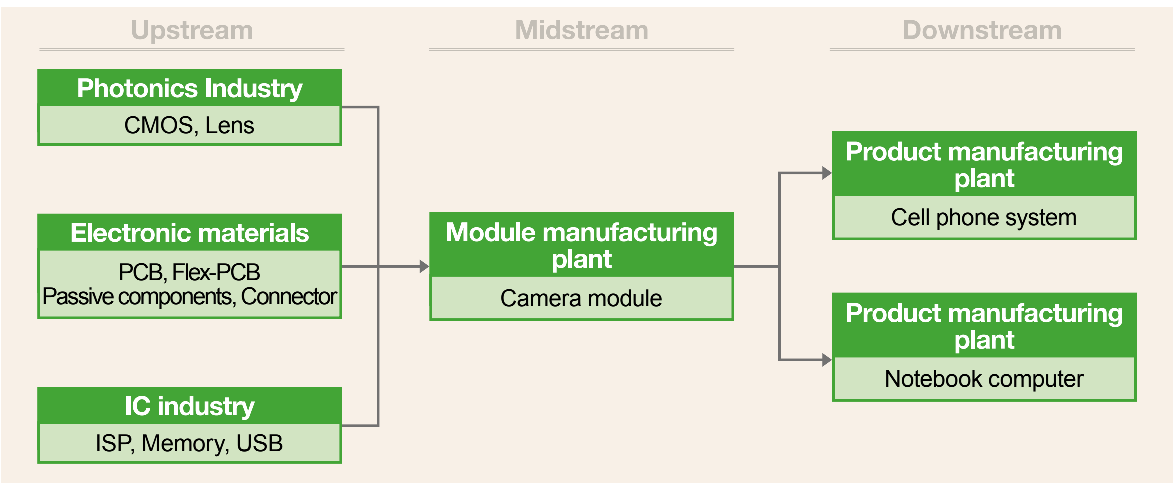
2. The correlation of the upstream, midstream and downstream industries

(1) PC peripheral products:

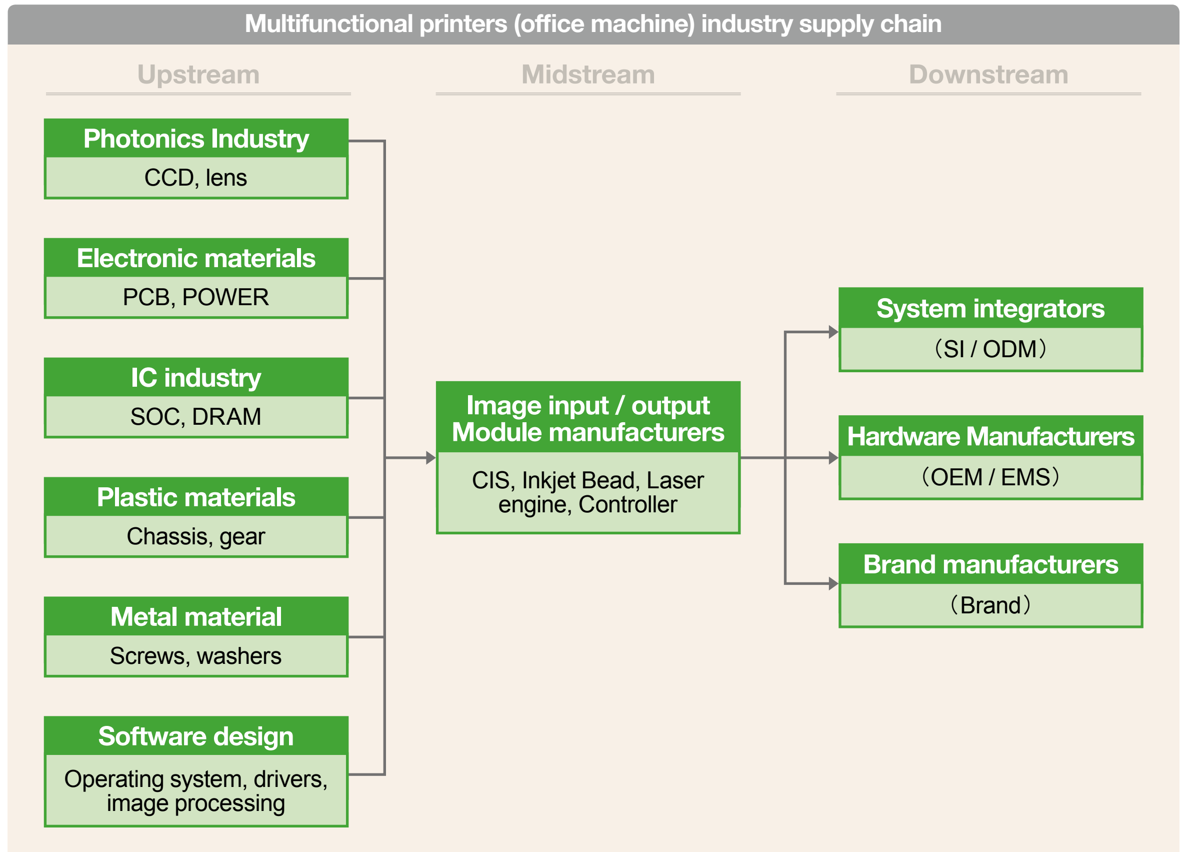


(2) Non-PC peripheral products

① Mobile device components products:



② Business Equipment products:

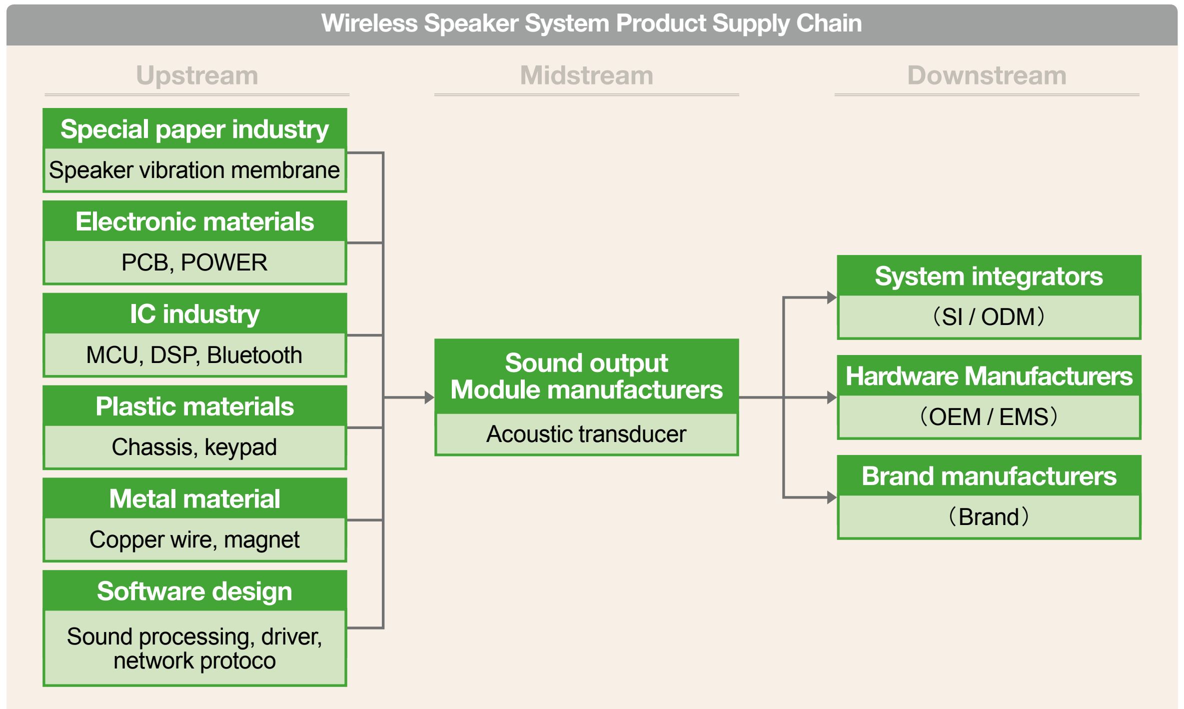


Multi-function printers (multi-function products, MFP) are composed of several important modules, namely, document scanners, printers (head), control panels, operating panels, automatic document feeders (ADF), and paper trays. An image sensor is the key component of the Document Scanner, including CCD and CMOS techniques that are mostly controlled by Japanese manufacturers, mainly supplied by Sony and Toshiba. Midstream suppliers provide scan modules, including a sensors, mirrors, and lamps. Downstream system suppliers provide a complete scanner, including image scanning module, motor control, image capture control circuit, data transfer control circuit, chassis and software. System suppliers also offer automatic a document feeder (ADF) that is combined with the scanner to perform continuous scanning function.

The Group's upstream suppliers are all world-renowned companies with a long-term and stable cooperative relationship established; therefore, the product quality and delivery have never encountered any raw materials supply shortages, interruption or delay, and the risk of the Group's facing the impact of changes in upstream operation is very low. The Group has striven to reduce production costs and improve product quality by actively developing high-speed multifunction printer module and enhancing firmware and software applied programs and system integration technology. In addition, in response to customer's product strategy in the emerging markets, the Group has also developed a number of mid-end and low-end black and white laser printers and multifunction printers with very competitive quality and cost.

③ Digital home products:

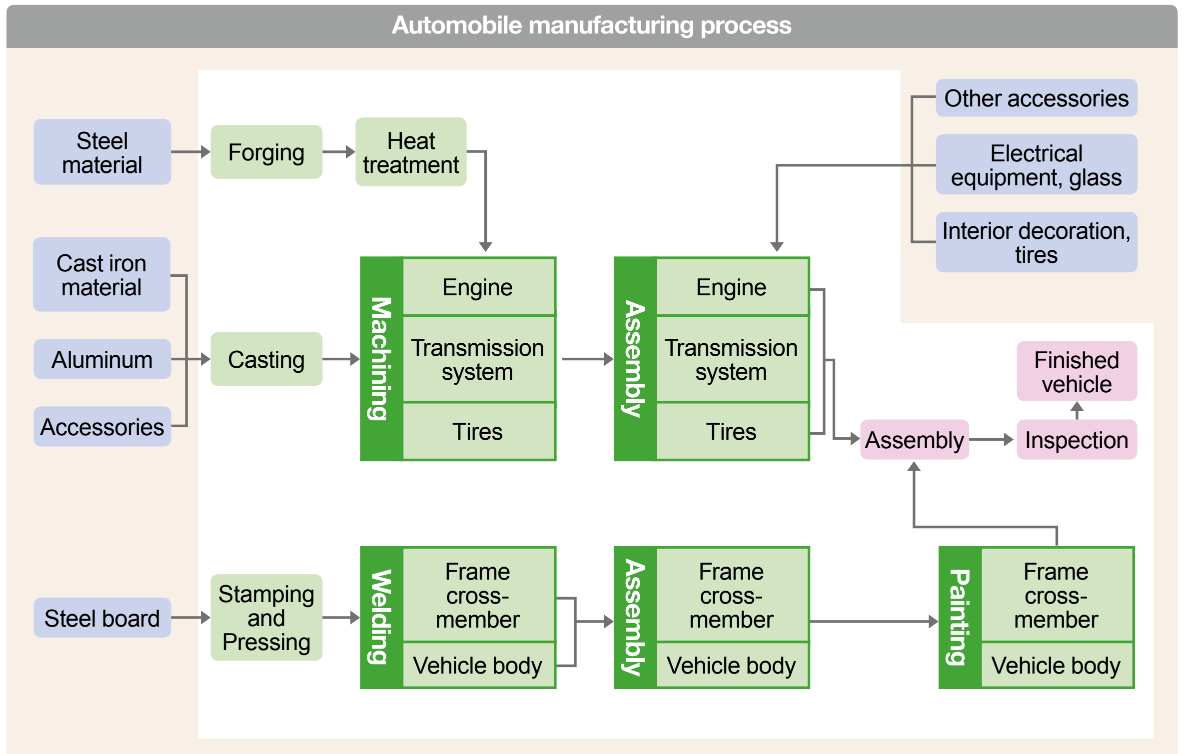
In terms of digital home products, the Company offers a variety of audio-video related product design and production, such as, wireless speakers, wireless headphones, TV Soundbar, camera-based video devices, etc. In addition, there are personal storage devices, such as, Wireless Flash Drive, Wi-Fi Hard Drive, etc.



④ Wearable device products:

Wearable devices contain sensors, display interface, wireless communication module, battery, and waterproof chassis. The Group is currently focusing on the mainstream products of wearable devices, including smart band and smart watch with product design and manufacturing services provided.

⑤ Precision metal processing products:



Data Source: Automotive Industry Research Report: ITRI IEK (06/2003)

3. Product development trends

(1) PC peripheral products

The Group's PC peripherals are mainly used with desktop computers, notebook computers and personal digital information products. The PC peripherals market competition will be more severe due to the PC market shrinking and brand concentration effect. In response to the development trend of downstream product applications, keyboard and mouse manufacturers will respond to the future smart home, mobile device peripherals, IA (information home appliance) products, Internet of Things (IoT), wearable products, and current consumer's personal and human needs, and continue to research and develop the peripheral input devices for network television, entertainment computers, game consoles, handheld computers, mobile devices, etc. in order to improve the added value of products and increase the technology gap from competitors; therefore, working towards high value-added products R&D is the future trend of the industry.

(2) Non-PC peripheral products

① Mobile device components products

The Group's camera and fingerprint identification module are mainly used for notebook computers, tablet computers and smartphones. In terms of notebook computers, there are several trends: (1) thin, the panel and camera lens must be evolved to the same thickness. Therefore, the corresponding packaging technology must be more evolved. In addition to CSP and COB technology that can be provided by general camera lens suppliers, the Group has experience in the mass production of Chip on Flex (CoF), Chip on Stiffener (CoS), and Flip-chip that is beyond the reach of domestic competitors; (2) high-resolution video from VGA to HD(720P) and FHD (1080P), HD has become the mainstream of business notebook computers currently, and consumer computers will start to become the mainstream this year; (3) dual-lens module, the Group was the first company to utilize the double AA manufacturing process to create the dual-lens module with the best alignment effect in 2015 worldwide. In terms of smartphones or other mobile devices, there are several trends: (1) large pixel: 16-megapixel ~ 24-megapixel models will be launched this year; (2) high sensitivity: large aperture is the most frequently used. The larger the aperture the more shallow the depth of field, and more difficult the focusing will be. Therefore, the corresponding focusing technology must

be more evolved. The Group's packaging precision has always been on the highest level in the industry, added to the active alignment AA technology introduced in 2011 that could help realize effective mass production ahead of the domestic competitors in 2103; (3) fast focus: to accelerate the focusing speed and to capture the camera moment, the closed-loop motor was aimed to enhance the conventional speed and accuracy and had become the new technology mainstream in 2014, in addition, the center motor was another alternative to help improve performance; (4) optical anti-shake: This is the basic accessory of a digital camera. The camera size, maturity and cost had failed to meet the demand for mobile phones in the past; Nokia had made the first breakthrough; also, there were many leading brands planning to launch this product. For camera module plant, active alignment process (AA) will be the key to win purchase orders over; (5) low and short: continued thinning is the must trend of all handheld equipment, which is a greater challenge to materials control and packaging technology, as described above, the Group's low and short sealing technology is unmatched in the industry; and (6) other new functions: Phase Detection Auto-Focus (PDAF), dual-camera module or a camera with a special light source that can obtain in depth of field information, and Camera Module equipped with the effect of optical zoom lens etc. ... are the differentiation trends promoted by several brand customers currently. In addition, the Group has actively engaged in smart TV and smart wearable camera that is expected to be the future product trends.

In terms of fingerprint identification module, the Group is the world's main supplier for capacitive and ultrasonic fingerprint identification module simultaneously. The capacitive fingerprint identification module is with two selections available at the same time, a spray-on and Porcelain Veneer.

② Business equipment products

With the rapidly growing sales of smartphones and tablet PC, consumers through Wi-Fi connection can have a photo shot and printed at the same time, and can have a document printed directly from the mobile device (ex: Apple AirPrint®) or store the scanned document images directly into the smartphones or tablets PC. The new functions of cloud printing (such as HP ePrint and Google Cloud Print) and scan-to-cloud are derived and met the needs of family life, entertainment and work at the same time. In order to meet the printing needs (convenience, easy operations, compatibility, consistent print quality, etc.) of mobile device users in various brands and platforms, the multifunction printer leaders, such as, Hewlett-Packard, Canon, Xerox, and Samsung, had set up the Mopria Alliance, jointly in September 2013 and enacted mobile printing standards, established a unified printing protocol, and initially focused on Android platform mobile devices. Currently, Mopria Alliance has 20 company members, including the multifunction printer brands, control panel chip design companies and application software development companies in the USA and Japan.

It is undeniable that smartphones and tablet PC have caused quite an impact on the printer industry, especially on the inkjet printer. In order to increase revenues and profitability, brand manufacturers have proposed "Managed Print Solution" to help companies reduce hardware equipment expenditures and printing costs. The leading manufacturers have proposed a comprehensive office document digitization process solution towards the development of a "Service-lead" business model and a customized system solution and service according to the characteristics of each industry. The most obvious example among them is Xerox, followed by other leading brands, such as HP, Canon, Lexmark, Ricoh, etc. Focus on the middle- and low-end laser A4 MFP development and mobile devices support that will need hardware significantly in the future.

③ Digital home products

Along with the popularity of broadband network and increasing transmission speed, added to the increasing wireless network products, smartphones, tablet PC and related applications of commodities, the consumer demand for digital information storage management and sharing, and the synchronized interaction between digital products is growing rapidly that has also activated the demand for personal Cloud or family Cloud technologies and products. In addition, the digital home-related products and functions have been further extended to individual mobile devices, such as Apple AirPlay and iTune and cloud digital program services such as Apple TV, Google chromecast, Roku, Amazon Fire TV and other set-top box providing digital content services, such as Netflix, Hulu, HBO, cable television, sports channels and so on. The constant upgrade of wireless network bandwidth (5G WiFi, IEEE802.11ac) will accelerate the development of digital home related industries. Product range includes network storage devices, portable wireless hard drive, digital home audio and video multimedia server, home control and security monitoring, and digital home wireless audio system and so on.

④ Wearable device products:

The global wearable consumer electronics sales have been growing steadily since the year of 2012 for two reasons, first of all, the industry's major manufacturers have entered the wearable device market, and consumer trust in the brand name is expected to drive a wave of buying power. Furthermore, due to the increase in product sales channels, the wearable products that were only sold on the Internet before were sold in general channels now; therefore, the high visibility helps stimulate consumer's desire to buy and the actual sales.

The wearable device penetration rate is low currently and it is with room to grow. New companies and international companies actively engaged in the market. IDC, a market research institute, reported the sales of wearable devices to over 78 million units in 2015 (39% annual growth rate) and a double-digit growth rate is expected in the next five years. However, wearable devices will not be able to replace smartphones in the next five years, but an auxiliary tool to the existing devices.

⑤ Precision metal processing products:

Regarding the spare parts of automotive systems, in addition to the existing airbag systems continuing to grow due to the impact of material, design changes and recalls, the spare parts of fuel energy-saving systems, new anti-shake system, combined cam shaft and metal injection molding parts are the focus of development recently. Industrial instrumentation products are with a focus on the casting process in the past and the operations will now move towards developing instrument parts that will be the next wave of growth for instrumentation products in 2016. In terms of the aerospace industry related spare parts, the current main products are control system and landing gear system parts. The spare parts of the engine system will be shipped massively starting in 2017 with the sales revenues of engine system spare parts equivalent to the sales revenues of other systems in 2018. In addition, the high-end anti-vibration system parts used for bikes and special dune buggies will be shipped starting in 2016, which is one of targeted products for development in the future.

4. Product competition

(1) PC peripheral products

Keyboard and mouse are the input devices of personal computers. Although currently there are voice inputs, sensing inputs and other input methods available for choice; they are in no position to replace the leading role of keyboard inputs in the sense of input recognition, input efficiency and end-use scenarios. However, current information and electronic products are moving towards light-weight, small and easy to carry. In order to allow consumers to easily receive or transmit information, the application of the touch panel is emerging. The current application of the touch panel is for portable electronic products. The Desktop computers and Notebook computers are both still with the keyboard input used currently. According to market survey and feedback, prolonged use of the touch panel has caused considerable inconvenience, for example, typing sensitivity and user's prolonged use resulting in sore hands. Therefore, currently, the touch panel input is only used for portable electronic products. For desktop and notebook computers, there is no solution for an absolute replacement available currently.

(2) Non-PC peripheral products

① Mobile device components products

The mobile phone industry is operated with a monetary unit of billions of dollars; naturally, there are many competitors in market. There are 70 camera module suppliers worldwide; however, less than 25 suppliers of them are able to supply over one million cameras on a monthly basis and a full line of camera products. The big market has attracted new competitors to enter the market constantly, especially the severe competition from the related industries with a vertical integration and a horizontal integration with other product lines of the handheld device industry. By 2015, this industry's gross profit had dropped rapidly, added to the massive investments in high-end models production; therefore, the trend of "the bigger, the better" is formed in the module industry. However, the competition in production explanation has resulted in production surplus. An irrational price bargaining for purchase orders had started to surface in 2015Q4; therefore, a market reshuffling is expected to happen in 2016 with small module plants exiting the market or moving towards emerging markets or niche markets.

② Business equipment products

The sale of the inkjet model is with the biggest market share (around 60%). The low-price black and white laser printers and multifunction printers are growing rapidly in the emerging markets and facing severe competition. By product categories, the future growth rate of multifunction printers will be greater than printers. In summary, laser multifunction printer is with great market potential. Taking advantage of the fast, automatic scanning and double-sided copying to continuously meet consumer demands for wireless network function and continuously upgrade product digitalization applications. The substitution of the product is without significant risks; also, price, environmental protection, energy saving, printing costs, wireless network printing and localized design are the keys to triumphing in the fierce competition.

③ Digital home products

PRIMAX, in addition to securing a stable development of the existing product line, actively strives to plan and develop new product lines with high market potential. Currently, the development is centered on the digital home-related applications for the products of network attached storage devices (NAS), portable wireless Hard Drive, home digital video and audio multimedia server, digital home wireless audio systems, personal mobile wireless speakers, etc.

The market for home-network storage device remains in a preliminary stage with a low household penetration rate, mainly due to consumer's being unfamiliar with the product functions. Therefore, manufacturers must be more focused on advertising and communications with consumers and continue to focus on innovation, research and development and in improving the user operation interface. In addition to traditional home-network storage devices, wireless portable hard drive is another business opportunity. Due to the explosive growth in smartphones and tablet PC that are with limited storage capacity and standby battery life, the wireless portable hard drive is not only helpful in expanding data storage capacity, but also in being the backup power source when the mobile device is out of power, a very user-friendly and practical design.

On the other hand, consumer market for technology products is booming along with the introduction of smartphones, resulting in many personal wireless multi-media entertainment needs. The Company has engaged in the field of image processing, wireless Bluetooth communication technology for a long time; also, has invested in wireless video and audio data transmission sharing research since 2012, focusing on two product line:(I) wireless storage device, (II) digital wireless audio equipment; mainly due to the fact that a smartphone is with a high-resolution screen and powerful processor to play high-resolution films; however, the biggest problem of smartphones is the limited and expensive internal storage capacity that is not as convenient as a computer with an external hard drive attached; therefore, the wireless storage device is the best solution under the circumstances. At the same time, we have observed that a headphone is used to enjoy music with smartphones that cannot be connected through the audio at home. The Company was the supplier of Bluetooth headphone and was involved and had invested in wireless transmission and acoustics; therefore, it is a reasonable action to participate in the development of wireless audio equipment in order to expand the overall strategic energy.

The function and design of digital home wireless audio system is currently in the preliminary stage in market, an emerging product line. All major audio brands, including TV manufacturers have introduced new products and related applications, such as, multi-speaker wireless streaming system, network station application services, digital audio receivers, converters, etc.

④ Wearable device products:

Currently, low-end wearable devices, such as smart bands, are with a low market barrier; therefore, there will be many manufacturers entering the wearable device market with low market barriers in a short-run, resulting in market saturation and the launch of homogeneous products will cause a serious red-ocean market crisis. For high-end wearable devices, such as smart watch, the hardware specifications, process requirements and software compatibility are facing considerable difficulties. Currently, few notable products are mainly launched by Apple, Samsung, LG and other international companies; also, in conjunction with a communications network services, medical services, etc. It is necessary to explore the business models that can really promote the wearable devices successfully in the market.

(3) Technology and R&D Overview

1. R&D Expenses overview

Unit: NT$1,000

Year	R&D expense	Percentage of operating income
2015	2,104,487	3.21%
2016Q1	478,917	3.42%

Note: The Group has applied International Financial Reporting Standards since the year of 2013.

2. The technologies and products successfully developed in the most recent year and as of the printing date of the annual report.

Year	R&D achievements
2010	• Designed and developed Bluetooth wireless keyboard for Tablet PC. • Designed and developed 3-megapixel optical anti-shake autofocus camera module. • Designed and developed high-efficiency multifunction wireless charging platform. • Designed and developed Bluetooth low energy-consumption equipment. • Designed and developed Thermal Printer and color management technology.
2011	• Designed and developed 8-megapixel optical anti-shake autofocus camera module. • Design and developed touch screen multimedia PC peripherals. • Design and developed backlit keyboard. • Designed and developed Wi-Fi mouse. • Designed and developed Wifi Keyboard.

Year	R&D achievements
2012	• Designed and developed 13-megapixel optical anti-shake autofocus camera module • Designed and developed Smart TV remote control • Designed and developed multi-point touch panel and automatic stylus pen. • Designed and developed NFC (Near Field Communication technology) paired with Bluetooth Keyboard Mouse • Designed and developed network multimedia storage device. • Designed and developed compound real document scanner.
2013	• Designed and developed tablet PC thin keyboard • Designed and developed new generation low power-consumption Bluetooth 4.0 input device. • Designed and developed dual-mode (low power-consumption Bluetooth, 2.4G) wireless mouse. • Designed and developed low power-consumption Bluetooth 4.0 stylus pen. • Designed and developed hand-gesture identification keyboard. • Designed and developed Smart TV remote control with voice input. • Designed and developed 13-megapixel optical anti-shake + autofocus camera module. • Designed and developed multi-lens suspension control (hand gesture recognition) camera module. • Designed and developed new generation high-capacity network multimedia wireless storage device. • Designed and developed wireless network printer control panel. • Designed and developed full-function multifunction printer single-chip control panel. • Designed and developed new generation color multifunction printer control panel. • Designed and developed high-speed high-quality color scanner module. • Designed and developed high-speed ultra-thin double-sided color scanner module. • Designed and developed eyeball identification dual-lens camera module.
2014	• Designed and developed new style thin multicolor backlit keyboard. • Designed and developed new generation wearable devices. • Designed and developed mobile device game peripherals. • Designed and developed integrated keyboard protection set. • Designed and developed mechanical game keyboard. • Designed and developed Smart TV remote control with voice commands. • Designed and developed 16-megapixel, 20-megapixel and 26-megapixel optical anti-shake + Fast-focus camera module. • Designed and developed 24-megapixel optical anti-shake autofocus camera module. • Designed and developed global minimum 13-megapixel autofocus camera module. • Designed and developed ultra-thin speakers. • Designed and developed new structural reverse push-pull speaker units.
2015	• Designed and developed IoT device platform, gateways, and terminal device. • Designed and developed automatic noise-cancelling headphones. • Designed and developed headphone and wearable device containing bio-sensing function. • Designed and developed array microphone with voice identification feature. • Designed and developed wireless audio and headphone that can play network streaming music synchronously. • Designed and developed new generation wireless storage and access device with high-speed communications capabilities. • Designed and developed 21-megapixel + 5-megapixel double-lens camera module, the highest standard of the industry. • Designed and developed 3-megapixel vehicle dual-lens camera module. • Designed and developed multilayer thin film multicolor backlit module for keyboard. • Designed and developed ultra-thin membrane keyboard. • Designed and developed new generation folding Bluetooth low power-consumption keyboard. • Designed and developed keyboard with multi-operating system switching function. • Designed and developed USB Type-C keyboard and mouse. • Designed and developed high-power wireless charging module. • Designed and developed low-profile loudspeaker transducer. • Designed and developed battery modules positioning structure and battery module.
2016	• Designed and developed 13-megapixel +13-megapixel double lens module, the highest standard of the industry. • Designed and developed 24-megapixel optical anti-shake camera module. • Designed and developed 3-megapixel vehicle dual-lens camera module. • Designed and developed capacitive fingerprint identification module (spray-on and Porcelain Veneer). • Designed and developed ultrasonic fingerprint identification module. • Designed and developed thin mechanical game keyboard. • Designed and developed a keyboard with voice input.

Note: PRIMAX's successfully developed technologies and products are included in the aforementioned statement.

(4) Long-term and short-term business development plan

1. Short-term business development plan

(1) PC peripheral products

a. Grasped the technological development trend of mouse, keyboard, tablet keyboard, stylus pen, and smart remote control, and continue to research and develop new products in order to facilitate business promotion.

b. Established a key components supply chain and establish the VMI / JIT system to effectively reduce inventory stock and to resolve material shortage problems.

c. Improved plant productivity, reduce costs, and continue to strengthen OEM/EMS business in order to increase turnover stably and improve gross profit rate. Grasped mobile application and related technology development trend.

(2) Non-PC peripheral products

① Mobile device components products

The main short-term strategy is based on the existing leading cutting-edge technologies to have the flagship models introduced for market penetration and then increase the market share of mid- and high-end markets. In terms of products, the Company's leading auto-focus technology (center motor and closed loop motor), low and short packaging (flip-chip packaging and Cavity substrate bonding), optical anti-shake related technologies, etc. are the best product weapons to help develop new customers. In addition, for the Tempo strategy of new technologies and new materials, obtain new resources from upstream suppliers as early as possible and work with the main core chip partners in advance to help the existing customers acquire the new products in the shortest time possible that will help secure the strategic partnership with the customers.

In terms of customer relationship, existing customer's market share and higher gross profit rates are the two indicators. In addition to emerging markets, our strategy is to lock on the strategic customers for in-depth and expanding operations. In addition to expanding the market share of the existing products, the mission is to introduce the Group's new mobile phone product line.

In terms of production, the focus of this year is on advancing to the full autonomy automation production, ultra high-speed high-end process and higher standards of cleanliness management. In addition, in response to the growing purchase orders, the production capacity expansion for high-end products is the continuing effort of the company in 2016.

② Business equipment products

The Group actively developed a high-speed low-cost scanner module with mass production initiated successfully. Advanced commercial scanner and module products will soon be ready for mass production with the global business expanded actively. In terms of the design and production of laser printers and multifunction products, in addition to securing the existing customers, the mission is to develop a more competitive platform continuously and actively compete for the new product development projects of American and Japanese customers. A number of projects are currently in progress and will gradually be ready for mass production this year. Barcode label printer is another new product line. The first generation products are already under mass production and with good market feedback. The new generation product will soon be ready for mass production. The image module and MFP OEM business is growing stably and the mission is to actively compete for new customers and new products business. In terms of office automation products, along with the continuous improvement of in-house technologies, a number of important patents have been obtained and new customers have been solicited successfully. Also, the Group has transformed into an ODM business operation successfully and worked with customers to actively develop new products.

③ Digital home products

The Group, in addition to continuing the in-depth development of the existing product line, will actively develop new product lines in order to secure a leading position on the next wave of digitalization in the sense of product design and key technology. The digital home-related products that are currently under active development are expected to create new profit momentum and generate profits. Currently, in addition to mastering the network storage device and digital home multimedia streaming related technology trends, we will continue to develop new platforms and software to facilitate business promotion and to actively establish a supply chain of key components. In terms of internal R&D programs, continue to strengthen software development ability and establish a long-term relationship with the software solutions providers in order to grasp the development trends of the related technologies. In terms of customer base, expand the Company's existing customer base and target on the market leading brands.

Along with the introduction of technologies and the development of products, the Group had successfully launched multiple sets of digital wireless audio equipment in the 2016 Consumer Electronics Show (CES).The system device includes portable devices, integrated devices, home theater-type devices and music server. The Digital Home Division has become one of the important businesses of the Group.

④ Precision metal processing products

In response to the increasing demand for automotive systems spare parts, it is necessary to enhance the supply chain and expand production capacity in order to meet market demand. In terms of industrial instrumentation products, we will strengthen the complex casting billet manufacturing and bar processing technologies in order to reduce the impact of low oil prices. In terms of aerospace products, the recent focus is on the composite materials processing and engine parts. In addition, the development of new industries, such as, bicycles and medical industries will also be introduced shortly.

2. Long-term business development plan

(1) PC peripheral products

a. Continue to upgrade automation capabilities, reduce labor costs and labor shortage, and enhance lean productivity and technology strength.

b. Develop new product lines (such as wearable devices, mobile device game peripherals, etc.) in order to develop new businesses and increase turnover.

(2) Non-PC peripheral products

① Mobile device components products

In terms of long-term strategies, based on the large customer base as a bargaining power and target on the camera upstream key components suppliers (such as image chip, optical lenses, motors, infrared-free glass...) to achieve an effective strategic cooperation. The idea is to secure cost competitiveness, technology advantage and guaranteed supply source with a closer partnership. In addition, for existing customers, (1) develop a full product line of camera lenses in-depth; comprehensively provide strategic customers with lenses and derived similar technologies modules needed in accordance with the physical platform defined by customers, including TV, wearable devices, tablets, mobile phones, as well as automotive equipment, (2) develop other product lines for customers in-breadth (such as fingerprints identification modules), using package bargaining power to ensure a sustainable competitive advantage.

In terms of client management, gradually invest in and manage the customers in emerging markets that will soon flourish with remarkable results expected next year.

② Business equipment products

The Group will continue to expand the technology and business of scanners and multi-function products, becoming the World No. 1 ODM Company. On the other hand, in response to the huge market demand for wireless broadband and mobile multimedia devices, the Group has actively supported the development, integration and application upgrade of the mobile device scanning and printing related technologies. The Group has accumulated profound ability and experience in the high-end scanner, automatic document feeder, automatic binding machine, and control panel design. The Group will be able to expand such products businesses successfully with over two decades of experience in developing and producing image products and embedded devices. In terms of office automation products, continue to invest in technology development to lead the market in energy-saving, system integration and excellent user-friendly design and to grow together with the target key customers.

③ Digital home products

In terms of long-term business development plans regarding new product development, the Group, in addition to developing and expanding the technology and business of wireless network storage devices and digital home related products continuously, it will work closely with key customers to jointly develop new products to meet market demand and to create a win-win situation. In terms of customer base, we will expand the Company's existing customer base and target the leading brands in the market, including cooperating with the consumer electronics manufacturers in Europe, USA and Japan, leading the market in energy-saving, system integration, and excellent user-friendly design and growing together with the target key customers. In addition to the development of hardware products, on the other hand, in response to the emerging cloud computing applications, the Group will continue to upgrade the development, integration and application capabilities upgrade of the related software technologies. The Group will be able to expand the business of such products and services with the profound design, R&D, management and execution capacity.

④ Precision metal processing products

In terms of vehicle system spare parts, the Group will introduce new molding techniques, such as MIM and deep drawing applications to reduce processing costs and to expand product lines. The one-stop service of aerospace and industrial instrumentation products will be enhanced, from billet, machining, grinding, post-processing, etc., in order to improve added value and competitiveness.

The demand for enhanced vehicle safety, lightweight, and energy-saving and emission reduction will remain unchanged, together with the world's largest auto market, China, beginning to increase the percentage of Made-in-China spare parts; therefore, the localized production of spare parts in China will be increased substantially and the business growth is thus expected. The demand for industrial instrumentation product is linked to oil prices; therefore, the subsequent changes in oil prices should be observed closely. Aerospace products will continue to grow in the future with a continuing "demand greater than supply".

2. Market and production and sales overview

(1) Market analysis

1. Sales area of major commodities

Year / By area	2014		2015	
	Amount (NT$1,000)	%	Amount (NT$1,000)	%
Mainland China	31,083,837	59.50	39,090,793	59.60
USA	7,847,174	15.02	11,897,187	18.14
Others	13,308,766	25.48	14,601,313	22.26
Total	**52,239,777**	**100.00**	**65,589,293**	**100.00**

2. Market share

The Group is a professional manufacturer for PC peripheral products, the components of mobile devices, business equipment, and related products of digital home with a good reputation earned in the industry. Due to the Group's wide product range that can be used on the mouse, keyboards, touch panel, notebook computers, mobile phones, headphones, charging cradles, printers, scanners and electro-acoustic products, the Group has started entering the automotive electronics market since 2015. The final products in use are quite different; therefore, there is no complete and objective market share statistics available for reference.

3. Future market supply and demand and growth

(1) PC peripheral products

The Group's peripheral products include keyboards, mouse, mobile device peripherals, etc., mainly used with computers and tablet PC products of which the keyboard and mouse are the main sales items.

The overall PC market in 2015 was decreased by 10.6%. According to IDC data (3.2016), the global PC sales in 2016 are expected to drop by 5.4%. In addition, according to IDC data (3.2016), Tablet PC (including detachable 2-in-1 tablet PC) sales in 2016 are estimated to be 195 million units. In the long term, tablet computers will maintain a positive growth; however, the growth momentum of driver tablet PCs is not like the iPad but with the detachable tablet PC。Of these, the sale of large-screen computer, Windows tablet PCs and detachable tablet PCs is growing rapidly. Especially, its business-oriented application helps increase the demand for tablet PC input devices. Therefore, the Group's tablet PC keyboard and its peripheral products are expected to grow.

(2) Non-PC peripheral products

2-1. Mobile device components

The Group's mobile devices components include camera modules, fingerprint recognition modules, Bluetooth headphone of communication peripherals, charging cradles, wireless charging, etc., of which, the sale of the camera module is the most prominent. Mainly used in notebook computers, smart phones, tablet PCs and other information, communications and consumer electronics products; therefore, the future changes in consumer demands will be closely related to notebook computers, smart phones and tablet PCs.

In terms of notebook computers, since the sale of notebook computers will exceed the 200 million units mark in 2010, the sale of notebook computers stalled in 2011~2014 with only around 250 million units sold every year. Since the notebook computer with the built-in camera module has become a standard specification, the sale of notebook computer with built-in camera module will also become stable with the sale of notebook computers. Tablet PCs had its moment of glory in 2012~2013; however, the sales had declined (except for Apple's stable growth) in 2014. The expected trend of large-screen PCs in 2016 and the wider and cheaper bandwidth, plus the support of Microsoft, tablet PCs have a second chance to come back big. In terms of Smartphone's, along with the growth of the global mobile phone sales, as well as mobile phone camera modules and video camera mounted rate increase, the annual mobile phone camera module sales is growing year by year. In addition, due to the prevalence of the 3G and 4G (and incoming 5G) mobile networks, the ratio of mobile phones built-in sub-camera modules (video camera lens) are increasing year by year. The global sales of smart phones will exceed 1.4 billion units in 2016, of which, close to 10% of those units will be with at least two main cameras plus one front camera; more than 70% of those units will be with one front and one rear camera. In terms of branding, global ranking in 2015 continued to shuffle with six Chinese brands included in the Top-Ten list, also, one Indian brand included in the list in 2015. In addition, a few Indian companies were hovering over the Top-Ten list frequently; therefore, the high growth momentum in the emerging markets should be well noticed.

2-2. Business equipment products

Due to intense market competition, multi-function products (MFP) terminal prices continue to fall, with inkjet and black and white laser models, in particular.

The consumer inkjet models sales will continue to decline due to the sluggish global economic growth. However, the Group's focus of laser models will continue to grow slightly; also, the demand by emerging markets for MFP will continue to grow. Mature markets like Europe, USA and Japan will continue to demand more color MFP, mainly due to the switch from black and white to color MFP. The demand for printers and MFPs will continue to grow due to the impact of mobile devices and the digitalization trend; also, it is expected to have another wave of growth momentum created by relying on the upgrading performance, combined with digital workflow management capabilities, deepening vertical industrial custom-made practice, integrating the innovative applications of cloud services and focusing on the application of A4 low-end laser MFP and communication products.

2-3. Digital home products

Digital home products present a rich and diversified aspect; also, a variety of innovative devices, applications, and services have been launched, so that the future growth is certain along with the continuing price cut of FHD, the continuing growth of UHD 4K, mobile device, multi-media games and video/audio streaming box, a wired network bandwidth constant upgrades (10/100Gb), continuous improvement of wireless broadband technology (IEEE802.11ac, 4G), popularization and diversification of cloud video/audio streaming services, and diversified high-quality multi-media contents.

4. Competitive niches

A. Sufficient production capacity and economies of scale.

The consumer electronics product life cycle is shortening. All manufacturers strive to contribute by investing resources in new product development and cost reduction; therefore, Original Equipment Manufacturing (OEM) has become the mainstream practice in markets under the consideration of reducing costs and speeding up production. In this trend, the manufacturers with experience in the related products and sufficient production capacity are preferred by international corporations for the OEM business. The Group has decades of experience in the development, design and production of image products and embedded devices; also, it has strong and experienced R&D teams and strict manufacturing and quality control processes. The Group with the support of its strong R&D teams can immediately adjust the production process upon the customers' request and help customers optimize existing products; also, it can immediately respond to customer demands. The Group has four production sites setup in Mainland China, including Dongguan, Kunshan, Chongqing and Huizhou, and continues to expand production capacity, possessed production capacity with "economies of scale" effect and flexible production planning. Such economies of scale, flexible production planning, and professional process technology have prevented competitors from entering the market easily. Moreover, such rich production resources have provided the Group with advantages in competition for international companies OEM businesses.

B. Global Logistics Production

The Group provides services to clients with global logistics, in addition to providing quality products to customers. The Group also provides logistics services to customers. The Group is with excellent process management capability, flexible production, comprehensive production and sales network from Dongguan, Kunshan, Chongqing, and Huizhou, and for the purpose of staying close to its customers with services provided, delivery is made through the global instant supply warehouse (such as, USA, the Netherlands, China, etc.) in order to shorten product delivery time, provide customers with the a stable and fast supply, and enable customers to establish a minimum inventory and reduce the backlog of funds; therefore, logistics service is one of the competitive niches of the Group.

C. Maintain strong partnerships with international companies

The Group since its incorporation has continued to focus on the R&D of PC peripheral products, components for mobile devices, business equipment and related products of digital home. The Group's product quality and stability are appreciated by customers with purchase orders issued to the Group. The Group's main customers are all well-known international companies. While developing product specifications and technological innovations with customers for product certification, the Group will take advantage of the customer relations to get the latest market information and to grasp market movement. The Group has established good cooperative relations with upstream and downstream industries for years and the Group will remain an important partner to those industries while developing new products in the future.

D. People-machine interface integration technology and software development capacity

The Group has experienced and qualified software development team with hardware, software, and people-machine interface R&D capabilities that will not only take the initiative to help customers improve product operation interface, but also actively develop highly user-friendly software and have it converted into consumer electronics products that are well accepted by the general public, such as, personal network server, wireless hard drive, and other emerging new technology products. Such effort of developing new applications by having the existing technologies integrated is beneficial to future development.

5. Advantages and disadvantages of future development and the responsive strategies

Advantages:

A. International manufacturers continue to outsource OEM businesses to reduce costs

International brand manufacturers for operating branding business continuously, maintaining R&D technology and reducing production costs have the production operations commissioned to professional OEM factories in order to concentrate on the design, marketing and R&D to simplify management complexity, to improve operational efficiency, to streamline the organizational structure at the same time, to pool resources, to reduce production costs, to enhance brand value and to increase market share. In the electronics industry, the global division of labor is becoming obvious, and this operating mode has become necessary for all international brands; therefore, a large OEM business opportunity is in the making.

The Group has setup production bases in Dongguan, Kunshan, Chongqing, and Huizhou of China for staying close to its customers in order to compete for OEM business and to reduce production costs. The Group's product development and technical capability have been appreciated by customers in recent years with sufficient production resources offered as the customer's production support; also, provided customers with timely and most comprehensive services; therefore, international companies in the USA and Japan have granted their OEM businesses to the Group. Apply the Group's professional technology development ability and excellent production management model to effectively reduce product production costs and to explore more business opportunities in a competitive OEM market.

B. End-user market is with much room for growt

※ PC peripheral products

The Group's PC peripheral products include mouse, keyboards, tablet PC keyboards, etc. Although future computer market scale and growth trends will slow down due to the current computer brand business philosophy "the bigger, the better," however, the Group's adequate customer strategy will help the Group remain in a favorable position in competition. The introduction of Microsoft Windows 10 in 2015 has derived other applications for the tablet PC. The business-oriented tablet PC's continuing growth has caused the demand for tablet PCs to grow. The Group has deployed to the tablet PC keyboard in the market early; therefore, the Group's business has benefited from it.

※ Non-PC peripheral products

※ ① Mobile device components products

The Group's mobile device components include notebook computers, smartphones, tablet PCs built-in camera module, fingerprint identification modules and communications peripheral equipment Bluetooth headphones, charging cradles, etc. Consumers like to use mobile phone cameras to take pictures or shoot video for sharing with friends and family. Therefore, the manufacturers of smartphone and tablet PCs continue to introduce high-pixel smartphone and tablet PCs with built-in camera modules. In addition, along with the prevailing network and increased bandwidth, notebook computers' built-in camera module has become a standard accessory. Apparently, the built-in camera module has a great room for market growth. In addition, the mobile pay market is in full swing of development and the demand for fingerprint identification is huge and sudden; therefore, such demand has been the highest within two years. The increasing functions of mobile phones obviously consume more power. The mobile phone was able to be in a standby mode for over one week but not anymore. Instead, the demand for various mobile power supplies, USB charging cable and vehicle charging cable is growing substantially. In addition, the demand for Bluetooth headphones will continue to rise along with the development of network phones and portable device industry; therefore, the Group's revenue growth will be activated as well.

※ ② Business equipment products

The Group's business equipment products include laser printers, multifunction products, scanner, etc. The use of wireless technology for the printing and transmission of printers and MFPs is increasing along with the prevalence of wireless network technology. Along with the sales increase of smartphone and tablet PCs, and the upgraded functionality, consumers need the printing function of smartphone and tablet PCs more and more. The introduction of wireless MFP and printers in the market will be able to meet the printing needs of smartphone and tablet PCs; also, help improve the Group's product sales indirectly. In addition, the demand for black and white laser MFP in emerging markets remain growing that will have a direct contribution to the Group's sales growth.

※ ③ Digital Home Products

The broadband network environment is becoming mature and home Wi-Fi wireless network prevailing rate is growing year by year; therefore, the wireless transmission related applications are flourishing. Consumers' demands for home entertainment audio and video streaming will drive the sales of home network storage devices and home entertainment server to go up. The explosive growth of mobile devices, such as the prevailing smartphones and tablet PCs, has caused the market demand for wireless audio and video storage devices to increase and it will drive consumers to buy portable wireless hard drives as the capacity expansion of mobile devices. The Group's design team's excellent technical capabilities and manufacturing technical quality are well appreciated by customers. Future product portfolio planning is aimed to meet market demand. The demand for a wireless speaker system has also grown rapidly in recent years. The Group has had the related technologies and platforms available with the appreciation of customers. The sale of mobile wireless speakers and home wireless multi-speaker system products is expected to grow continuously along with the strong market demand.

※④ Precision metal processing products

For aerospace and automotive components, due to the trend of the Chinese government's request for a high ratio of Made-in-China and important components to be manufactured by an internal and external joint venture, international manufacturers in Mainland China will increase the existing suppliers' production to meet the essential requirements. The delivery of airplanes in the Asian aviation market has forced Boeing and Airbus to increase the supply chain in Asia in order to satisfy the growing market.

Disadvantages:

A. Shorter product life cycles

Information, communications, and consumer electronics products rotate quickly with shorter product life cycles, resulting in high management risk, In addition to the inability to consume inventory stock and reduce financial pressures, product development, design and production time is shortened that creates a challenge to the Group's professional technology and management ability.

※ Responsive measures:

The Group actively develops new technologies to enhance research and development capabilities, continue to cultivate R&D talents and improve production efficiency and yield rate in order to shorten the product development cycle. In addition, the Group has established a long-term good cooperative relationship with many well-known national and international manufacturers. At the time of developing products, cooperate and communicate with customers to fully understand the customer's needs and market trends in order to rapidly develop and produce products that meet market demand. In addition, place raw materials with special specifications under strict control, actively reduce inventory and minimize the obsolescent product loss in order to effectively reduce costs and enhance market competitiveness.

B. Severe price competition jeopardizes profit margin

In recent years, the rapid development of 3C products have driven market demand for components of PC peripheral products, mobile devices, and, business equipment, resulting in severe market competition, increasing price competition pressure, and causing the low price trend of electronic products that is detrimental to profitability.

※ Responsive measures:

The Group focuses on enhancing its core competence and improving R&D technology and the production capacity for products. Continue to improve product manufacturing process through product design in order to reduce materials consumption; also, utilize advanced manufacturing equipment to improve production efficiency, while continuing to expand advanced products with higher gross profits in order to seek product differentiation, increase value-added products, and separate from competitors by creating market segment, while maintaining close relations of cooperation with existing customers in order to secure existing markets.

C. Labor shortage and rising labor costs in the Chinese market

In recent years, the provincial labor departments of China have wages increased for the protection of labor's interests, added with the rapid domestic economic development of China, annual economic growth is at a double-digit rate, resulting in the working population in the coastal areas of China unwilling to stay on their jobs; therefore, labor shortage and rising wages have resulted in high operating costs to the enterprises.

※ Responsive measures:

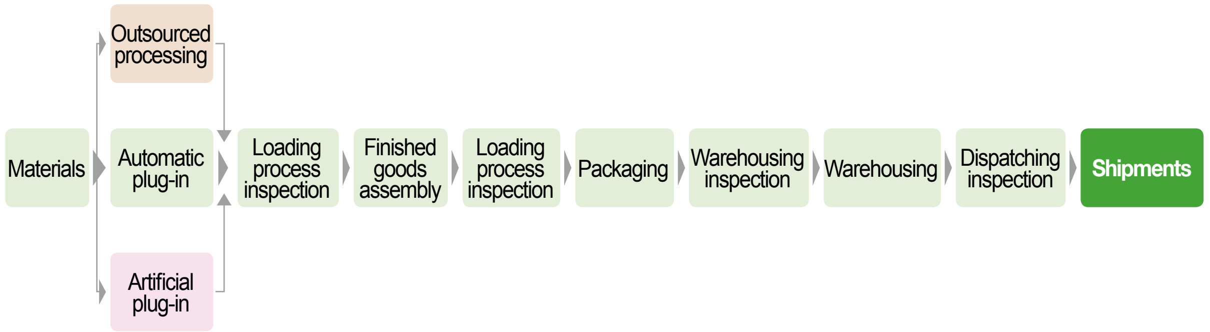
For the sake of solving labor problems fundamentally and reducing labor costs, the Group actively introduces modular automated production equipment and processes to improve production efficiency and reduce labor costs. At the same time, strive to improve the production procedures, simplify manufacturing processes and conduct automated testing; also, designate a specific unit to be responsible for the design and preparation of precision tooling and automated assembling equipment, and its utilization in mass production in order to master the production procedures and to control product quality. In addition, in recent years, continue to develop highly automated production and production line testing equipment in order to improve production efficiency and reduce production costs.

(2) Intended use and production process of main products

1. The intended use of main products

Main products and services	Intended use or function
Mouse	Control computer cursor and scroll to provide easy operations in the Windows operating system.
Keyboard	Provide input characters as well as other convenient control keys
Touch panel	Control computer cursor, scroll and other convenient controls by the touch panel.
Digital Writing Tablet and stylus pen	Control computer cursors and graphics by a stylus pen. The pressure sensing device of a stylus pen can communicate with the capacitive touch panel to transmit the actual strokes interactively.
Wireless charging device	It is applicable to mobile phones, tablet PCs and notebook computers for power supply and charging function.
Micro-camera module	It is applicable to mobile phones, tablet PCs, commercial and home monitoring, smart TV, game consoles, traffic recorders and GPS built-in camera modules.
Network camera module	It is applicable to notebook computers, LCD monitors, built-in network camera modules and externally attached network cameras.
Fingerprint identification module	It is applicable to mobile phones and tablet PCs.
Communications peripheral equipment	It is applicable to mobile phones or MP3 players, built-in images, externally attached voice, data transmission, power supply, and other devices.
Image Scanner	It is applicable to personal computers, printers, file servers, flash drives and photo/document digitization and preservation.
Multifunction Printers	It is applicable to individuals, homes, offices, shops, hotels, digital data center, photo/document scanning, photocopying, electronic documents printing and faxing documents.
Office automation products	It is applicable to individuals, homes, offices, shops, hotels, digital data centers, photo/document destruction, lamination and other processes.
Wireless storage devices	It is applicable to personal and home audio/video entertainment and data storage, and office data storage.

2. Production process



(3) Supply of main raw materials

The Group's products are mainly divided into two product lines of PC peripheral products and non-PC peripheral products. The Group's products are mainly purchased through Primax HK (by triangular trade to buy from the sub-subsidiary, Dongguan Primax), Kunshan Primax and Chongqing Primax. Since they are 100% owned subsidiaries and sub-subsidiaries of the Group, the delivery lead-time and sources of supply can be fully controlled without the possibility of a supply shortage. For the main raw materials of the subsidiaries and sub-subsidiaries, the Group has acquired through long-term cooperating suppliers for stabilizing supply source and quality; also, there are at least two suppliers of main raw materials retained for service; therefore, there should be no risk of a supply shortage or supply interruption that is detrimental to the Company's operations.

(4) The names of the customers that were identified accounted for more than 10% of the total purchase (sale) amount in one of the last two years, the purchase (sale) amount and percentage, and the reasons for the amount increase and decrease.

1. The information of the suppliers that were identified accounted for more than 10% of the total purchase amount in any of the last two years
   There was no supplier that accounted for more than 10% of the total purchase amount in any of the last two years.
2. The information on the customers that accounted for more than 10% of the total sales amount in any of the last two years

Unit: NT$ million

Year	2014				2015				2016Q1			
Item	Name	Amount	Proportion to total sales (%)	Relationship with the issuer	Name	Amount	Proportion to total sales (%)	Relationship with the issuer	Name	Amount	Proportion to total sales (%)	Relationship with the issuer
1	Company A	8,995	17.22	None	Company A	13,605	20.74	None	Company A	2,228	15.90	None
–	Others	43,245	82.78	–	Others	51,984	79.26	–	Others	11,785	84.10	–
–	Net sales amount	52,240	100.00	–	Net sales amount	65,589	100.00	–	Net sales amount	14,013	100.00	–

The Group's top-ten customers in the last two years were all international well-known companies, a diversified and stable customer base. The Group's top-ten customers accounted for 49.10% and 51.70% of the net annual sales in 2014 and 2015, respectively. Among the top-ten customers, the percentage of sales from one single client and one single group did not exceed 30% of the total sales; therefore, as for the concern over the Group's sales target, there is no risk of sales centralization. The Group, in addition to maintaining good relations with the existing customers, is actively developing new products in order to expand the market and customers for other products for dispersing customers of sales and for minimizing the risk of sales centralization.

(5) The production volume and value statement of the last two-year:

Unit: NT$1,000 / 1,000pcs

Main products (by department) / Production / Year	2014			2015		
	Capacity	Output	Amount	Capacity	Output	Amount
PC peripheral products	210,058	98,634	18,251,817	200,872	92,758	26,386,263
Non-PC peripheral products	643,196	339,500	28,512,216	766,138	412,523	33,362,839
Total	853,254	438,134	46,764,033	967,010	505,281	59,749,102

(6) The sales volume and value statement of the last two-year:

Unit: NT$1,000 / 1,000pcs

Major Products / Year	2014				2015			
	Domestic sales		Exporting sales		Domestic sales		Exporting sales	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
PC peripheral products	1,608	216,301	99,510	23,700,228	6,404	2,124,479	135,153	27,950,138
Non-PC peripheral products	13,461	2,844,664	91,723	24,224,048	21,179	3,704,236	205,828	29,866,137
Service income	0	0	0	1,254,536	0	0	0	1,944,303
Total	15,069	3,060,965	191,233	49,178,812	27,583	5,828,715	340,981	59,760,578

3. The number of staffs, average service years, average age and academic degree of staffs in the last two years and as of the printing date of the annual report.

Year		2014	2015	01.01.2016~04.30.2016
Number of employees	Technician (Engineering)	768	816	804
	Management and business personnel	2,075	2,209	2,160
	Total	2,843	3,025	2,964
Average age		38	38	34
Average years of service (Note 1)		5	5	5.5
Educational distribution ratio (%)	Ph.D.	0.3	0.3	0.3
	Master's	8.7	9.2	9.5
	Bachelor's	66.6	66	64.7
	Senior Higher School Education	16.0	15.9	16.4
	Below Senior Higher School Education	8.4	8.5	9.1

Note 1: It is shown according to the years of service of employees with PRIMAX.

4. Environmental protection expenses information

The Company's losses (including compensation) resulted from environmental pollution, the total amount of disposition and the disclosure of the response measures (including improvement measures) and possible expenses (including the possible losses due to not taking countermeasures, the estimated amount of compensation and fine, and the fact that the potential losses cannot be reasonably estimated) in the most recent year and as of the printing date of the annual report: None

The Group's 2015 environmental protection expenditure for each plant statistics

Unit: NT$

Classification	Description	Expense
1. Direct Costs for Reducing Environmental Impact		
(1) Pollution control cost	Fees for air pollution control, water pollution control, and others	29,812,850
(2) Resource Conservation Cost	Costs for resource (e.g. water) conservation	7,830,910
(3) Waste Disposal and Recycling	Costs for waste treatment (including recycling, incineration and landfill)	1,885,431
2. Indirect Cost for Reducing Environmental Impact (Environmental Managerial Cost)	(1) Cost of training (2) Environmental management system and certification expenditures (3) Environmental impact measurement and monitoring fees (4) Environmental protection product costs (5) Environmental protection organization fees	22,890,934
3. Other Environmental Costs	(1) Costs for decontamination and remediation (2) Environmental damage insurance fees and environmental taxes and expenses (3) Costs related to environmental settlement, compensations, penalties and lawsuits	0
Total		62,420,125

V. Operation overview

5. Labor relations

(1) The Company staff benefit package, education, training, retirement system and its implementation, as well as agreement between the employers and employees and the employees' interest protection measures

1. Staff's welfare measures and its implementation

The Company has an Employee Welfare Committee set-up in accordance with the Employee Welfare Act to handle the appropriation and distribution of pension. The current welfare system includes: labor insurance and national health insurance, group insurance, annual health checks, birthday gift certificates, Labor Day / Dragon Boat Festival / Mid-Autumn Festival gift money, employees and dependents weddings and funeral subsidy, staff and their families scholarships and financial aid, employee hospitalization condolence money, staff recreational activities, domestic and international travel allowance, emergency assistance loans to employees, year-end party and lotteries, and other community activities.

2. Education, training, and its implementation

The Group has constructed diversified learning and development channels for the staff's synergistic effect of learning in order to enhance the Company's competitiveness continuously and develop important technical and management personnel.

- On-the-job training: On-the-job learning and development is to help the staff enhance job experience by attending work meetings, project (mission) assignments, job rotation, etc.
- Internal Training: Internal training is divided into three categories of supervisor training, professional training, and general training, including new recruit's basic courses, supervisor courses at all levels, professional and technical courses, the course of quality, general education lectures, English courses, etc.
- External professional training: In order to encourage colleagues to continue their self-enhancement of professional capacity or to learn a second professional skill for career plans, the Company has the professional external training cost fully subsidized.
- Overseas training: Select colleagues who perform outstandingly at work and with a good potential for development to participate in short-term overseas professional training or meetings in order to enrich their international vision.
- Online Learning and Knowledge Community platforms: The digital LMS learning system provides general education, basic professional knowledge and English language courses to allow learning without time limits and space restrictions; colleagues can also conduct a knowledge exchange, sharing and discussions through the community forum on the platform and blog.
- Self-learning: Promote lifelong learning of job-related knowledge and skills; also, may apply for flexible working hours in order to initiate on-the-job training; in addition, in order to cope with the Company's international business model, English course subsidies are also available to colleagues to encourage them to strengthen their language skills. The Company has occasionally updated the list of books recommended to read and provided books subsidies to encourage colleagues to develop a reading habit.

3. Retirement system and its implementation

The Group (formerly known as "Hung Chuan Investment Co., Ltd.") was established on March 20, 2006 and had merged PRIMAX with general rights and benefits of employees assumed unconditionally on December 28, 2007; also, the pension system of PRIMAX remained intact. The payment requirements and standards of labor pension are processed in accordance with the Labor Standards Law (hereinafter referred to as "the old system") and the Labor Pension Act (hereinafter referred to as "the new system").

For employees who have chosen the old system or the new system but with seniority under the old system reserved, the Group has a retirement plan enacted in accordance with the Labor Standards Law and has a labor pension reserve appropriated on a monthly basis and deposited in the special account with the Bank of Taiwan for the use of future pension payment. In addition, for employees that are entitled to the new system, the Group has an amount equivalent to 6% of the monthly salary appropriated as a labor pension reserve in accordance with the Labor Pension Act and has the amount deposited in the personal account with the Bureau of Labor Insurance.

4. Agreement between employer and employees and the measures to safeguard employees' interests

The Group has maintained harmonious labor relations. Employees can communicate with the Company regarding the Company's systems and work environment through the departmental meeting in order to maintain a good interaction between the employer and employees. In addition, the Group's employee welfare committee is responsible for handling employee welfare matters and has various activities arranged occasionally to enhance a harmonious working atmosphere and the loyalty between the employer and employees. The practice is illustrated as follows:

(1) Hold departmental meetings regularly, communicate the Company's and departmental business plans, business overview and market conditions to colleagues.
(2) Enact sexual harassment prevention measures and a grievance and disciplinary approach to maintain a good working relationship and interaction principles between genders in order to prevent sex discrimination or harassment.
(3) Establish labor-management meeting, organize labor-management meetings for communication and consultation regularly, and promote harmonious labor relations.
(4) Establish the employee welfare committee to organize group recreational activities and handle welfare matters regularly.
(5) Set-up flexible working hour system so that employees can manage to balance work and personal life.
(6) Education and training plan and subsidy, provide staff with occupational training and encourage employees to develop a second skill.
(7) In addition to the basic security of labor and health insurance, a group insurance is also available for a greater protection of employee's life safety, healthcare, and family.
(8) Organize employee physical check-ups and health and safety checks regularly to ensure employee's physical and mental health and safety of the working environment.

(2) Any losses resulting from labor disputes in the most recent year and as of the printing date of the annual report: None

(3) The estimated loss amount and the response measures for current and future periods, if such amount cannot be reasonably estimated, please indicate the fact that it cannot be reasonably estimated.

The Group since the date of incorporation has upheld integrity and responsible attitude to provide welfare to its employees, to create a harmonious relationship between employer and employees, and work together with the employees for the business growth of the Company and the business operations. Therefore, a harmonious labor relation is established and no incidents of labor disputes are expected to take place.

6. Material Contracts

Nature of contract	Contracting Party	Term of Agreement	Main contents	Restrictions
OEM product	Customer E	08/01/2014~ project ended	OEM camera modules and mouse	Classified
OEM Parts	Customer F	12/17/2013~12/17/2016	OEM camera module	Classified
OEM product	Customer G	02/20/2006~ project ended	OEM consumer electronic products	Classified
OEM product	Customer B	05/22/2007~ project ended	OEM MFP	Classified
OEM product	Customer V	06/30/2008~6/30/2018	OEM consumer electronic products	Classified
OEM product	Customer U	08/2007~Project ended	OEM mouse	Classified
OEM product	Customer T	02/20/2008~ project ended	OEM consumer electronic products	Classified
OEM product	Customer H	06/01/2008~ project ended	OEM MFP	Classified
OEM product	Customer A	11/20/2014~ project ended	OEM consumer electronic products	Classified
OEM product	Customer O	01/2006~Project ended	OEM consumer electronic products	Classified
Licensing	W	12/1/2012~11/30/2017	Technology Transfer Licensing	Classified
Trade and lease	Shin Kong Life Insurance	12/2008~12/2023	Sale and lease of Primax building	None
Loan Agreement	Industrial Bank of Taiwan	11/07/2013~11/06/2016	Bank mid-term and long - term loan	None
Loan Agreement	CTBC Bank	01/05/2015~01/05/2018	Bank mid-term and long - term loan	None
Loan Agreement	Export-Import Bank of the ROC	2/12/2015~2/12/2020	Bank mid-term and long - term loan	None

VI. Financial review

1. The condensed balance sheet and consolidated income statement of the last five years

(1) Condensed Consolidated Balance Sheet - International Financial Reporting Standards

Unit: NT$1,000

Item \ Year		Financial Summary for The Last Five Years (Note 1)					As of March 31, 2016 (Note 3)
		2011	2012 (Note 2)	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)	
Current assets		–	15,384,183	17,385,420	23,078,336	30,413,161	23,823,542
Property, plant and equipment		–	3,822,324	3,389,048	3,935,145	6,284,023	6,399,999
Intangible assets		–	54,961	46,479	2,916,644	3,322,191	3,285,257
Other assets		–	757,256	769,975	1,093,648	1,712,358	1,549,793
Total assets		–	20,018,724	21,590,922	31,023,773	41,731,733	35,058,591
Current liabilities	Before Distribution	–	12,648,580	13,828,775	19,254,757	26,154,964	19,321,795
	After Distribution	–	13,295,599	14,175,880	20,045,864	27,082,897	20,249,728
Non-current liabilities		–	144,506	220,580	1,460,269	2,660,184	2,455,932
Total liabilities	Before Distribution	–	12,793,086	14,049,355	20,715,026	28,815,148	21,777,727
	After Distribution	–	13,440,105	14,396,460	21,506,133	29,743,081	22,705,660
Equity attributable to Shareholders of the Parent		–	7,224,867	7,541,567	9,150,513	10,430,381	10,762,293

Unit: NT$1,000

Item \ Year		Financial Summary for The Last Five Years (Note 1)					As of March 31, 2016 (Note 3)
		2011	2012 (Note 2)	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)	
Capital stock		–	4,292,492	4,339,529	4,385,481	4,427,051	4,421,622
Capital Surplus		–	607,334	648,747	673,543	777,368	787,085
Retained earnings	Before Distribution	–	2,462,943	2,485,712	3,686,641	4,660,556	5,061,271
	After Distribution	–	1,815,924	2,138,607	2,895,534	3,732,623	4,133,338
Other equity		–	(137,902)	67,579	404,848	565,406	492,815
Treasury stock		–	–	–	–	–	–
Non-controlling Interests		–	771	–	1,158,234	2,486,204	2,518,071
Total shareholders' equity	Before Distribution	–	7,225,638	7,541,567	10,308,747	12,916,585	13,280,864
	After Distribution	–	6,578,619	7,194,462	9,517,640	11,988,652	12,352,931

Note 1: The Company's financial data has been handled in accordance with the International Financial Reporting Standards (IFRSs) for less than five years; therefore, there are also financial data prepared in accordance with the Statement of Financial Accounting Standards (SFAS) of the Republic of China, so, please refer to the following statements (V)~(VIII).

Note 2: The 2012-2015 financial data had been audited by the CPAs.

Note 3: The financial data had been reviewed by the CPAs.

(2) Condensed Proprietary Balance Sheet - International Financial Reporting Standards

Unit: NT$1,000

Item \ Year		Financial Summary for The Last Five Years (Note 1)					As of March 31, 2016
		2011	2012 (Note 2)	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)	
Current assets		–	9,913,021	10,459,628	13,197,595	16,329,746	–
Investments accounted for using equity method		–	3,778,057	4,745,311	8,596,698	10,088,961	–
Property, plant and equipment		–	57,728	63,517	61,287	65,554	–
Intangible assets		–	54,961	46,479	37,997	29,514	–
Other assets		–	432,405	429,204	659,461	1,182,141	–
Total assets		–	14,236,172	15,744,139	22,553,038	27,695,916	–
Current liabilities	Before Distribution	–	6,893,386	8,002,029	12,157,266	15,204,972	–
	After Distribution	–	7,540,405	8,349,134	12,948,373	16,132,905	–
Non-current liabilities		–	117,919	200,543	1,245,259	2,060,563	–
Total liabilities	Before Distribution	–	7,011,305	8,202,572	13,402,525	17,265,535	–
	After Distribution	–	7,658,324	8,549,677	14,193,632	18,193,468	–
Shareholders' equity		–	7,224,867	7,541,567	9,150,513	10,430,381	–
Capital stock		–	4,292,492	4,339,529	4,385,481	4,427,051	–
Capital Surplus		–	607,334	648,747	673,543	777,368	–
Retained earnings	Before Distribution	–	2,462,943	2,485,712	3,686,641	4,660,556	–
	After Distribution	–	1,815,924	2,138,607	2,895,534	3,732,623	–
Other equities		–	(137,902)	67,579	404,848	565,406	–
Treasury stock		–	–	–	–	–	–
Total shareholders' equity	Before Distribution	–	7,224,867	7,541,567	9,150,513	10,430,381	–
	After Distribution	–	6,577,848	7,194,462	8,359,406	9,502,448	–

Note 1: The Company's financial data has been handled in accordance with the International Financial Reporting Standards (IFRSs) for less than five years; therefore, there are also financial data prepared in accordance with the Statement of Financial Accounting Standards (SFAS) of the Republic of China, so, please refer to the following statements (V)~(VIII).

Note 2: The 2012-2015 financial data had been audited by the CPAs.

(3) Condensed Consolidated Income Statement - International Financial Reporting Standards

Unit: NT$1,000

Item \ Year	Financial Summary for The Last Five Years (Note 1) 2011	2012 (Note 2)	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)	As of March 31, 2016 (Note 3)
Operating revenue	–	43,132,771	42,319,988	52,239,777	65,589,293	14,012,563
Gross profit	–	4,497,277	3,752,695	6,218,799	7,140,338	1,567,166
Net operating income	–	1,404,096	694,444	1,829,742	2,168,182	462,543
Non-operating income and expenses	–	172,794	216,308	217,839	304,771	196,670
Income before income taxes	–	1,576,890	910,752	2,047,581	2,472,953	659,213
Net income of the continued operations	–	1,183,698	668,554	1,608,967	1,816,935	440,074
Loss from discontinued operations	–	–	–	–	–	–
Net income	–	1,183,698	668,554	1,608,967	1,816,935	440,074
Other comprehensive income (after tax)	–	(137,661)	239,067	342,273	225,310	(97,125)
Total comprehensive income	–	1,046,037	907,621	1,951,240	2,042,245	342,949
Net income attributable to stockholders of parent	–	1,183,461	668,548	1,544,690	1,773,122	400,715
Net income attributable to non-controlling interests	–	237	6	64,277	43,813	39,359
Total comprehensive income attributable to stockholders of parent	–	1,045,995	907,589	1,871,224	1,987,738	311,342
Total comprehensive income attributable to non-controlling interests	–	42	32	80,016	54,507	31,607
Earnings per share (Note 4)	–	2.91	1.55	3.57	4.06	0.91

Note 1: The Company's financial data has been handled in accordance with the International Financial Reporting Standards (IFRSs) for less than five years; therefore, there are also financial data prepared in accordance with the Statement of Financial Accounting Standards (SFAS) of the Republic of China, so, please refer to the following statements (V)~(VIII).
Note 2: The 2012-2015 financial data had been audited by the CPAs.
Note 3: The financial data had been reviewed by the CPAs.
Note 4: Basic earnings per share.

(4) Condensed Proprietary Comprehensive Income Statement - International Financial Reporting Standards

Unit: NT$1,000

Item \ Year	Financial Summary for The Last Five Years (Note 1) 2011	2012 (Note 2)	2013 (Note 2)	2014 (Note 2)	2015 (Note 2)	As of March 31, 2016
Operating revenue	–	39,129,275	37,257,934	42,356,385	51,638,181	–
Gross profit	–	3,200,641	2,471,611	2,665,779	2,934,548	–
Net operating income	–	1,323,770	737,781	753,349	926,670	–
Non-operating income and expenses	–	100,150	121,510	879,985	1,007,253	–
Income before income taxes	–	1,423,920	859,291	1,633,334	1,933,923	–
Net income of the continued operations	–	1,183,461	668,548	1,544,690	1,773,122	–
Loss from discontinued operations	–	–	–	–	–	–
Net income	–	1,183,461	668,548	1,544,690	1,773,122	–
Other comprehensive income (after tax)	–	(137,466)	239,041	326,534	214,616	–
Total comprehensive income	–	1,045,995	907,589	1,871,224	1,987,738	–
Earnings per share (Note 3)	–	2.91	1.55	3.57	4.06	–

Note 1: The Company's financial data has been handled in accordance with the International Financial Reporting Standards (IFRSs) for less than five years; therefore, there are also financial data prepared in accordance with the Statement of Financial Accounting Standards (SFAS) of the Republic of China, so, please refer to the following statements (V)~(VIII).
Note 2: The 2012-2015 financial data had been audited by the CPAs.
Note 3: Basic earnings per share.

VI. Financial review

(5) Condensed Consolidated Balance Sheet - Statement of Financial Accounting Standards (SFAS) of the Republic of China

Unit: NT$1,000

Item \ Year		Financial Summary for The Last Five Years (Note) 2011	2012	2013	2014	2015
Current assets		13,647,514	15,412,672	–	–	–
Fund and investments		78,236	54,313	–	–	–
Fixed assets		3,858,327	3,822,324	–	–	–
Intangible assets		197,017	178,068	–	–	–
Other assets		564,766	522,500	–	–	–
Total assets		18,345,860	19,989,877	–	–	–
Current liabilities	Before Distribution	12,400,406	12,635,791	–	–	–
	After Distribution	12,601,135	13,282,810	–	–	–
Long-term liabilities		1,052,907	917,667	–	–	–
Other liabilities		–	–	–	–	–
Total liabilities	Before Distribution	13,453,313	13,553,458	–	–	–
	After Distribution	13,654,042	14,200,477	–	–	–
Equity attributable to Shareholders of the Parent		4,891,818	6,435,648	–	–	–
Capital stock		3,991,932	4,292,492	–	–	–
Capital Surplus	Before Distribution	328,178	620,143	–	–	–
	After Distribution	288,032	620,143	–	–	–
Retained earnings	Before Distribution	474,408	1,563,905	–	–	–
	After Distribution	313,825	916,886	–	–	–
Unrealized gain or loss on financial instruments		–	–	–	–	–
Cumulative translation adjustment		97,300	(40,892)	–	–	–
Net loss unrecognized as pension cost		–	–	–	–	–
Minority shareholders'' equity		729	771	–	–	–
Total shareholders' equity	Before Distribution	4,892,547	6,436,419	–	–	–
	After Distribution	4,691,818	5,789,400	–	–	–

Data source: The 2011-2012 financial data had been audited by the CPAs.

(6) Condensed Proprietary balance sheet - Statement of Financial Accounting Standards (SFAS) of the Republic of China

Unit: NT$1,000

Item \ Year		Financial Summary for The Last Five Years (Note) 2011	2012	2013	2014	2015
Current assets		8,981,542	9,935,168	–	–	–
Fund and investments		3,649,465	3,820,278	–	–	–
Fixed assets		61,031	57,728	–	–	–
Intangible assets		66,002	54,961	–	–	–
Other assets		371,177	347,493	–	–	–
Total assets		13,129,217	14,215,628	–	–	–
Current liabilities	Before Distribution	7,211,137	6,888,900	–	–	–
	After Distribution	7,411,866	7,535,919	–	–	–
Long-term liabilities		1,026,262	891,080	–	–	–
Other liabilities		–	–	–	–	–
Total liabilities	Before Distribution	8,237,399	7,779,980	–	–	–
	After Distribution	8,438,128	8,426,999	–	–	–
Capital stock		3,991,932	4,292,492	–	–	–
Capital Surplus		328,178	620,143	–	–	–

Unit: NT$1,000

Item		Financial Summary for The Last Five Years (Note) 2011	2012	2013	2014	2015
Retained earnings	Before Distribution	474,408	1,563,905	–	–	–
	After Distribution	313,825	916,886	–	–	–
Unrealized gain or loss on financial instruments		–	–	–	–	–
Cumulative translation adjustment		97,300	(40,892)	–	–	–
Net loss unrecognized as pension cost		–	–	–	–	–
Total shareholders' equity	Before Distribution	4,891,818	6,435,648	–	–	–
	After Distribution	4,691,089	5,788,629	–	–	–

Data source: The 2011-2012 financial data had been audited by the CPAs.

(7) Condensed Consolidated Income Statement - Statement of Financial Accounting Standards (SFAS) of the Republic of China

Unit: NT$1,000

Item	Financial Summary for The Last Five Years (Note 1) 2011	2012	2013	2014	2015
Operating revenue	47,342,606	43,132,771	–	–	–
Gross profit	4,189,546	4,500,866	–	–	–
Net operating income	1,147,835	1,470,715	–	–	–
Non-operating income and profit	386,376	342,628	–	–	–
Non-operating expense and loss	184,500	169,834	–	–	–
Pre-tax income of continued operations	1,349,711	1,643,509	–	–	–
Incomes of continued operations	1,040,100	1,250,317	–	–	–
Profit and loss of the discontinued operations	–	–	–	–	–
Extraordinary income	–	–	–	–	–
Cumulative effect from changes of accounting principles	–	–	–	–	–
Consolidated net income	1,040,854	1,250,080	–	–	–
Net loss of minority shareholders' equity	(754)	237	–	–	–
Earnings per share (Note 2)	2.63	3.07	–	–	–

Note 1: The 2011-2012 financial data had been audited by the CPAs.
Note 2: Basic earnings per share.

(8) Condensed Proprietary Income Statement - Statement of Financial Accounting Standards (SFAS) of the Republic of China

Unit: NT$1,000

Item	Financial Summary for The Last Five Years (Note 1) 2011	2012	2013	2014	2015
Operating revenue	43,053,109	39,129,275	–	–	–
Gross profit	2,820,525	3,204,800	–	–	–
Net operating income	935,282	1,398,317	–	–	–
Non-operating income and profit	429,169	221,302	–	–	–
Non-operating expense and loss	133,859	129,080	–	–	–
Pre-tax income of continued operations	1,230,592	1,490,539	–	–	–
Incomes of continued operations	1,040,854	1,250,080	–	–	–
Profit and loss of the discontinued operations	–	–	–	–	–
Extraordinary income	–	–	–	–	–
Cumulative effect from changes of accounting principles	–	–	–	–	–
Net income	1,040,854	1,250,080	–	–	–
Earnings per share (Note 2)	2.63	3.07	–	–	–

Note 1: The 2011-2012 financial data had been audited by the CPAs.
Note 2: Basic earnings per share.

(9) Auditors' Opinions from 2011 to 2015

Year	Accounting Firm	CPA	Audit opinion
2011	KPMG	Wu, Mei-Pin and Chen, Cheng-Chien	Unqualified opinion
2012	KPMG	Wu, Mei-Pin and Chen, Cheng-Chien	Unqualified opinion
2013	KPMG	Wu, Mei-Pin and Chen, Cheng-Chien	Unqualified opinion
2014	KPMG	Wu, Mei-Pin and Chen, Cheng-Chien	Modified unqualified opinions
2015	KPMG	Huang, Yung-Hua and Yu, Chi-Lung	Modified unqualified opinions

2. The financial analysis of the last five years

(1) Financial Analysis - International Financial Reporting Standards - Consolidated

Analysis items		The financial analysis of the last five years (Note) 2011	2012	2013	2014	2015	As of March 31, 2016 (Note 2)
Financial structure (%)	Debit ratio	–	63.91	65.07	66.77	69.05	62.12
	Ratio of long-term fund to property, plant and equipment	–	192.82	229.04	299.07	247.88	245.89
Solvency (%)	Current ratio	–	121.63	125.72	119.86	116.28	123.30
	Quick ratio	–	79.45	93.98	92.42	86.61	90.02
	Times Interest Earned (times)	–	35.43	53.34	31.76	16.43	46.66
Operating performance	Account Receivable Turnover (times)	–	7.18	5.65	5.72	5.27	4.39
	Days sales outstanding	–	50.84	64.60	63.81	69.26	83.14
	Inventory turnover days	–	7.13	8.39	10.26	9.61	7.46
	Account payable turnover (times)	–	3.96	3.86	3.99	3.73	3.31
	Average day in sales	–	51.19	43.52	35.58	37.97	48.92
	Property, plant and equipment turnover (times)	–	11.23	11.74	14.26	12.84	8.84
	Total assets turnover (times)	–	2.25	2.03	1.99	1.80	0.36
Profitability	Return on total assets (%)	–	6.36	3.28	6.33	5.36	1.18
	Return on shareholders' equity (%)	–	18.25	9.06	18.03	15.65	3.36
	Pre-tax income to paid-in capital (%)	–	36.93	21.00	47.11	56.05	14.92
	Net Margin (%)	–	2.74	1.58	3.08	2.77	3.14
	Earnings per share (NT$)	–	2.91	1.55	3.57	4.06	0.91

Analysis items		The financial analysis of the last five years (Note) 2011	2012	2013	2014	2015	As of March 31, 2016 (Note 2)
Cash flow	Cash flow ratio (%)	–	11.02	21.63	17.42	19.20	–
Cash flow	Cash flow adequacy ratio (%)	–	114.18	159.46	179.72	132.27	130.24
Cash flow	Cash reinvestment ratio (%)	–	11.51	19.76	21.34	23.31	–
Leverage	Operating leverage	–	1.75	2.60	1.65	1.68	1.91
Leverage	Financial leverage	–	1.03	1.03	1.04	1.08	1.03

Explain the changes in financial ratios over the last two years.
(It is not necessary to analyze the changes for less than 20%)

1. Times interest earned (times) : It was mainly due to the increase of interest expense in 2015, so the times interest decreased.
2. Cash flow adequacy ratio: It was mainly due to the increase of the Company's inventory in 2015, so the cash flow adequacy ratio decreased.
3. Operating leverage: It was mainly due to the increase of the Company's net sales in 2015, causing the operating leverage to go up.

Note 1: The Company's financial data has been handled in accordance with the International Financial Reporting Standards (IFRSs) for less than five years; therefore, there are also financial data prepared in accordance with the Statement of Financial Accounting Standards (SFAS) of the Republic of China, so, please refer to the following statements (II).

Note 2: The financial data had been reviewed by the CPAs.

(1) Financial Analysis - International Financial Reporting Standards - Proprietary

Analysis items		The financial analysis of the last five years (Note) 2011	2012	2013	2014	2015	As of March 31, 2016
Financial structure (%)	Debit ratio	–	49.25	52.10	59.43	62.34	–
Financial structure (%)	Ratio of long-term fund to property, plant and equipment	–	12,719.63	12,189.04	16,962.44	19,054.43	–
Solvency (%)	Current ratio	–	143.80	130.71	108.56	107.40	–
Solvency (%)	Quick ratio	–	115.09	108.15	96.38	90.46	–
Solvency (%)	Times Interest Earned Ratio (times)	–	40.61	52.96	27.92	37.23	–
Operating performance	Account Receivable Turnover (times)	–	8.18	5.82	5.52	6.11	–
Operating performance	Days sales outstanding	–	44.62	62.71	66.12	59.74	–
Operating performance	Inventory turnover days	–	14.50	18.68	24.45	24.29	–
Operating performance	Account payable turnover (times)	–	6.27	6.11	5.63	5.03	–
Operating performance	Average day in sales	–	25.17	19.54	14.93	15.03	–
Operating performance	Property, plant and equipment turnover (times)	–	658.97	614.59	678.77	814.22	–
Operating performance	Total assets turnover (times)	–	2.86	2.49	2.21	2.06	–
Profitability	Return on total assets (%)	–	8.86	4.55	8.33	7.23	–
Profitability	Return on shareholders' equity (%)	–	18.25	9.05	18.51	18.11	–
Profitability	Pre-tax income to paid-in capital (%)		33.35	19.82	37.58	43.83	–
Profitability	Net Margin (%)	–	3.02	1.79	3.65	3.43	–
Profitability	Earnings per share (NT$)	–	2.91	1.55	3.57	4.06	–

Analysis items		The financial analysis of the last five years (Note) 2011	2012	2013	2014	2015	As of March 31, 2016
Cash flow	Cash flow ratio (%)	–	0.81	12.33	12.46	6.82	–
Cash flow	Cash flow adequacy ratio (%)	–	24.91	103.17	192.99	103.65	–
Cash flow	Cash reinvestment ratio (%)	–	3.43	4.31	11.06	2.03	–
Leverage	Operating leverage	–	1.04	1.06	1.05	1.04	–
Leverage	Financial leverage	–	1.03	1.02	1.09	1.06	–

Explain the changes in financial ratios over the last two years.
(It is not necessary to analyze the changes for less than 20%)

1. Times interest earned (times) : It was mainly due to the decrease of the interest expense in 2015, so the times interest has increased.
2. Property, plant and equipment turnover (times) : It was mainly due to the increase of the Company's net sales in 2015, so the fixed asset turnover has increased.
3. Cash flow ratio: It was mainly due to the increase of the Company's current liabilities in 2015, causing a decreased cash flow ratio.
4. Cash flow adequacy ratio: It was mainly due to the increase of the inventory and cash dividend in 2015, causing the decreased cash flow adequacy ratio.
5. Cash reinvestment ratio: It was mainly due to the increase of the Company's cash dividend to shareholders in 2015 and the increase of long-term investments, other assets, and working capital, caused the decline in cash reinvestment ratio.

Note 1: The Company's financial data has been handled in accordance with the International Financial Reporting Standards (IFRSs) for less than five years; therefore, there are also financial data prepared in accordance with the Statement of Financial Accounting Standards (SFAS) of the Republic of China, so, please refer to the following statements (II).

(2) Financial analysis - Statement of Financial Accounting Standards (SFAS) of the Republic of China - Consolidated

Analysis items		The financial analysis of the last five years (Note) 2011	2012	2013	2014	2015
Financial structure (%)	Debit ratio	73.33	67.80	–	–	–
Financial structure (%)	Ratio of long-term funds to fixed assets	154.09	192.40	–	–	–
Solvency (%)	Current ratio	110.06	121.98	–	–	–
Solvency (%)	Quick ratio	59.50	79.62	–	–	–
Solvency (%)	Times Interest Earned Ratio(times)	29.55	36.88	–	–	–
Operating performance	Account Receivable Turnover (times)	9.66	7.18	–	–	–
Operating performance	Days sales outstanding	38	51	–	–	–
Operating performance	Inventory turnover days	8.40	7.13	–	–	–
Operating performance	Account payable turnover (times)	4.66	3.96	–	–	–

Analysis items		The financial analysis of the last five years (Note) 2011	2012	2013	2014	2015
Operating performance	Average day in sales	43	51	–	–	–
	Fixed assets turnover (times)	14.09	11.23	–	–	–
	Total assets turnover (times)	2.78	2.25	–	–	–
Profitability	Return on total assets (%)	6.33	6.72	–	–	–
	Return on shareholders' equity (%)	23.89	22.07	–	–	–
	Ratio to issued capital stock (%) – Operating income	28.81	34.45	–	–	–
	Ratio to issued capital stock (%) – Pre-tax income	33.87	38.49	–	–	–
	Net Margin (%)	2.20	2.90	–	–	–
	Earnings per share (NT$)	2.63	3.07	–	–	–
Cash flow	Cash flow ratio (%)	19.09	11.03	–	–	–
	Cash flow adequacy ratio (%)	74.94	79.34	–	–	–
	Cash reinvestment ratio (%)	24.29	11.67	–	–	–
Leverage	Operating leverage	1.75	1.71	–	–	–
	Financial leverage	1.04	1.03	–	–	–

Note 1: The financial report of the 2011-2012 data had been audited by the CPAs.

(2) Financial analysis - Statement of Financial Accounting Standards (SFAS) of the Republic of China - Proprietary

Analysis items		The financial analysis of the last five years (Note) 2011	2012	2013	2014	2015
Financial structure (%)	Debit ratio	62.74	54.73	–	–	–
	Ratio of long-term funds to fixed assets	9,696.84	12,691.81	–	–	–
Solvency (%)	Current ratio	124.55	144.22	–	–	–
	Quick ratio	81.86	115.48	–	–	–
	Times Interest Earned Ratio(times)	29.35	40.47	–	–	–

Analysis items		The financial analysis of the last five years (Note) 2011	2012	2013	2014	2015
Operating performance	Account Receivable Turnover (times)	10.54	7.35	–	–	–
	Days sales outstanding	35	50	–	–	–
	Inventory turnover days	16.35	14.50	–	–	–
	Account payable turnover (times)	7.38	6.27	–	–	–
	Average day in sales	22	25	–	–	–
	Fixed assets turnover (times)	630.69	658.97	–	–	–
	Total assets turnover (times)	3.60	2.86	–	–	–
Profitability	Return on total assets (%)	9.01	9.36	–	–	–
	Return on shareholders' equity (%)	23.91	22.07	–	–	–
	Ratio to issued capital stock (%) – Operating income	23.47	32.75	–	–	–
	Ratio to issued capital stock (%) – Pre-tax income	30.89	34.91	–	–	–
	Net Margin (%)	2.42	3.19	–	–	–
	Earnings per share (NT$)	2.63	3.07	–	–	–
Cash flow	Cash flow ratio (%)	9.07	(0.81)	–	–	–
	Cash flow adequacy ratio (%)	140.77	128.23	–	–	–
	Cash reinvestment ratio (%)	4.26	(3.44)	–	–	–
Leverage	Operating leverage	1.85	1.62	–	–	–
	Financial leverage	1.05	1.03	–	–	–

Note 1: The financial report of the 2011-2012 data had been audited by the CPAs.

1. Financial structure

(1) Debit ratio = Total liabilities / Total assets

(2) Ratio of Long-term fund to fixed assets = (Shareholders' equity, net + long-term liabilities) / Net fixed assets

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities

(3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance

(1) Receivables (including accounts receivable and notes receivable resulting from business operations) Turnover = Net sales / Average receivable (including accounts receivable and notes receivable resulting from business operation) balance

(2) Days sales outstanding = 365 / Receivables turnover.

(3) Inventory turnover = Cost of goods sold / Average inventory

(4) Payables (including accounts payable and notes payable resulting from business operations) turnover = Cost of goods sold / Average payable (including accounts payable and notes payable resulting from business operations) balance.

(5) Average days in sales = Average Inventory turnover.

(6) Property, plant and equipment turnover = Net sales / Average net property, plant and equipment

(7) Total asset turnover = Net sales / Average total assets.

4. Profitability

（1）Return on total Assets = [Net income + Interest expense × (1- tax rate)] / Average total assets

（2）Return on shareholders' equity = Net Income attributable to shareholders of the parent / Average equity attributable to shareholders of the parent

（3）Net Margin = Net income / Net sales

（4）Earnings per share = (Net income attributable to shareholders of the parent - preferred stock dividend) / Weighted average number of shares outstanding

5. Cash flows

（1）Cash flow ratio = Net cash flow from operating activities / Current liabilities

（2）Net cash flow adequacy Ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash Dividend

（3）Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (Gross property, plant and equipment + long-term investments + other noncurrent assets + working capital)

6. Leverage:

（1）Operating leverage = (Net sales – variable costs) / Income from operations

（2）Financial leverage = Income from operations / (Income from operations - interest expenses)

3. The Audit Committee's review report on the 2015 financial statements

The Audit Committee's review report

The Board of Directors has prepared the Company's 2015 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of KPMG was retained to audit Primax's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of PRIMAX Electronics Limited. According to Article 219 of the Company Law, we hereby submit this report.

PRIMAX Electronics Limited – Shareholders' Meeting

Chairman of the Audit Committee:
Wei, Yong Du
March 24, 2016

4. The 2015 consolidated financial statements and notes had been audited by the CPAs

安侯建業聯合會計師事務所
KPMG
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Independent Auditors' Report

The Board of Directors
Primax Electronics Ltd.:

We have audited the accompanying consolidated balance sheets of Primax Electronics Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain subsidiaries. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to those subsidiaries, is based solely on the reports of the other auditors. As of December 31, 2015 and 2014, the assets of these subsidiaries amounted to NT$7,046,529 and NT$3,256,659 thousand, respectively, constituting 17% and 10%, respectively, of the consolidated total assets. For the years ended December 31, 2015 and 2014, the operating revenue of these subsidiaries amounted to NT$8,734,357 and NT$6,277,916 thousand, respectively, constituting 13% and 12%, respectively, of the consolidated operating revenue.

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

In our opinion, based on our audits and the reports of the other auditors, the accompanying consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Primax Electronics Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission in the Republic of China.

Primax Electronics Ltd. has prepared annual individual financial reports as of and for the years ended December 31, 2015 and 2014, on which we have issued a modified unqualified opinion.

KPMG

March 24, 2016

The accompanying consolidated financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the International Financial Reporting Standards and interpretations endorsed by the Financial Supervisory Commission in the Republic of China. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars)

Assets	December 31, 2015 Amount	%	December 31, 2014 Amount	%
Current assets:				
Cash and cash equivalents (note 6(a))	$ 7,623,380	18	6,814,023	22
Financial assets at fair value through profit or loss – current (note 6(b))	88,717	–	96,285	–
Notes and accounts receivable, net (note 6(d))	14,424,622	35	10,453,148	34
Accounts receivable – related parties, net (notes 6(d) and 7)	54,995	–	60,581	–
Other receivables (note 6(d))	462,242	1	370,254	1
Inventories, net (note 6(e))	7,350,609	18	4,810,978	15
Other current assets (note 8)	408,596	1	473,067	2
	30,413,161	73	23,078,336	74
Non-current assets:				
Available-for-sale financial assets – non-current (note 6(c))	584,430	1	292,916	1
Property, plant and equipment (notes 6(h) and 8)	6,284,023	15	3,935,145	13
Investment property, net (note 6(i))	258,709	1	262,269	1
Intangible assets (note 6(j))	3,322,191	8	2,916,644	10
Deferred tax assets (note 6(o))	390,414	1	154,691	–
Long-term prepaid rent (note 8)	306,125	1	198,151	1
Other non-current assets (note 8)	172,680	–	185,621	–
	11,318,572	27	7,945,437	26
Total assets	$ 41,731,733	100	31,023,773	100

Liabilities and equity	December 31, 2015 Amount	%	December 31, 2014 Amount	%
Current liabilities:				
Short-term borrowings (note 6(k))	$ 1,350,569	3	2,148,800	7
Notes and accounts payable	18,723,930	45	12,613,211	41
Financial liabilities at fair value through profit or loss – current (note 6(b))	60,105	–	80,590	–
Other payables (note 7)	3,891,786	9	2,628,533	9
Salary payable (note 6(q))	1,227,107	3	1,055,208	3
Other current liabilities	279,120	1	128,415	–
Current portion of long-term borrowings (note 6(l))	622,347	2	600,000	2
	26,154,964	63	19,254,757	62
Non-current liabilities:				
Long-term borrowings (note 6(l))	1,055,140	2	900,000	3
Long-term deferred revenue (note 6(h))	1,084,133	3	130,840	–
Other non-current liabilities (notes 6(n) and (o))	520,911	1	429,429	2
	2,660,184	6	1,460,269	5
Total liabilities	28,815,148	69	20,715,026	67
Equity attributable to stockholders of parent:				
Common stock (note 6(p))	4,411,877	11	4,346,578	14
Capital collected in advance (note 6(p))	15,174	–	38,903	–
Capital surplus (note 6(p))	777,368	2	673,543	2
Legal reserve (note 6(p))	611,322	1	456,853	2
Special reserve (note 6(p))	97,300	–	97,300	–
Unappropriated retained earnings (note 6(p))	3,951,934	10	3,132,488	10
Other equity	565,406	1	404,848	1
Non-controlling interests	2,486,204	6	1,158,234	4
Total equity	12,916,585	31	10,308,747	33
Total liabilities and equity	$ 41,731,733	100	31,023,773	100

See accompanying notes to consolidated financial statements.

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars, except earnings per share)

	2015 Amount	%	2014 Amount	%
Operating revenue (notes 6(s)and 7)	$ 65,589,293	100	52,239,777	100
Operating cost (notes 6(e),(n),(p),(q) and (t) and 12)	58,448,955	89	46,020,978	88
Gross profit	7,140,338	11	6,218,799	12
Operating expenses (notes 6(f),(n),(p),(q)and(t), 7 and 12):				
Selling expenses	1,589,527	2	1,423,129	3
Administrative expenses	1,278,142	2	1,072,677	2
Research and development expenses	2,104,487	3	1,893,251	3
	4,972,156	7	4,389,057	8
Net operating income	2,168,182	4	1,829,742	4
Non-operating income and expenses:				
Other income (note 6(u))	178,824	-	290,465	-
Other gains and losses (notes 6(c) and (v))	282,395	-	150,323	-
Share of profit of subsidiaries accounted for using equity method	3,772	-	-	-
Finance costs (note 6(w))	(160,220)	-	(222,949)	-
	304,771	-	217,839	-
Income before income taxes	2,472,953	4	2,047,581	4
Income tax expense (note 6(o))	656,018	1	438,614	1
Net income	1,816,935	3	1,608,967	3
Other comprehensive income (loss):				
Items that may not be reclassified subsequently to profit or loss:				
Actuarial gains on defined benefit plans	(8,540)	-	3,344	-
	(8,540)	-	3,344	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operation's financial statements	(60,203)	-	337,984	1
Unrealized gains and losses on available-for-sale financial assets (note 6(c))	294,053	-	945	-
	233,850	-	338,929	1
Other comprehensive income (after tax)	225,310	-	342,273	1
Comprehensive income	$ 2,042,245	3	1,951,240	4
Net income attributable to:				
Stockholders of parent	$ 1,773,122	3	1,544,690	3
Non-controlling interests	43,813	-	64,277	-
	$ 1,816,935	3	1,608,967	3
Comprehensive income attributable to:				
Stockholders of parent	$ 1,987,738	3	1,871,224	4
Non-controlling interests	54,507	-	80,016	-
	$ 2,042,245	3	1,951,240	4
Earnings per share (note 6(r)):				
Basic earnings per share (NT dollars)	$ 4.06		3.57	
Diluted earnings per share (NT dollars)	$ 4.01		3.52	

See accompanying notes to consolidated financial statements.

VI. Financial review

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2015 and 2014

(expressed in thousands of New Taiwan dollars)

	Equity attributable to stockholders of parent											
	Capital			Retained earnings								
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operation's financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total	Non-controlling interests	Total equity
Balance on January 1, 2014	$ 4,335,733	3,796	648,747	389,998	138,192	1,957,522	100,137	(238)	(32,320)	7,541,567	-	7,541,567
Net income in 2014	-	-	-	-	-	1,544,690	-	-	-	1,544,690	64,277	1,608,967
Other comprehensive income in 2014	-	-	-	-	-	3,344	322,245	945	-	326,534	15,739	342,273
Comprehensive income in 2014	-	-	-	-	-	1,548,034	322,245	945	-	1,871,224	80,016	1,951,240
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	-	66,855	-	(66,855)	-	-	-	-	-	-
Special reserve	-	-	-	-	(40,892)	40,892	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(347,105)	-	-	-	(347,105)	-	(347,105)
Issuance of restricted stock	3,550	-	11,576	-	-	-	-	-	(15,126)	-	-	-
Retirement of restricted stock	(3,200)	-	(4,254)	-	-	-	-	-	7,454	-	-	-
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	21,751	21,751	-	21,751
Compensation cost of share-based payment	-	-	14,487	-	-	-	-	-	-	14,487	18	14,505
Exercise of employee stock options	-	48,589	-	-	-	-	-	-	-	48,589	-	48,589
Issuance of common stock for employee stock options and abandonment	10,495	(13,482)	2,987	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,078,200	1,078,200
Balance on December 31, 2014	4,346,578	38,903	673,543	456,853	97,300	3,132,488	422,382	707	(18,241)	9,150,513	1,158,234	10,308,747
Net income in 2015	-	-	-	-	-	1,773,122	-	-	-	1,773,122	43,813	1,816,935
Other comprehensive income in 2015	-	-	-	-	-	(8,100)	(71,337)	294,053	-	214,616	10,694	225,310
Comprehensive income in 2015	-	-	-	-	-	1,765,022	(71,337)	294,053	-	1,987,738	54,507	2,042,245
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	-	154,469	-	(154,469)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(791,107)	-	-	-	(791,107)	-	(791,107)
Issuance of restricted stock	30,000	-	91,693	-	-	-	-	-	(121,693)	-	-	-
Retirement of restricted stock	(2,800)	-	(10,258)	-	-	-	-	-	13,058	-	-	-
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	46,477	46,477	-	46,477
Compensation cost of share-based payment	-	-	4,087	-	-	-	-	-	-	4,087	653	4,740
Exercise of employee stock options	-	32,673	-	-	-	-	-	-	-	32,673	-	32,673
Issuance of common stock for employee stock options and abandonment	38,099	(56,402)	18,303	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,272,810	1,272,810
Balance on December 31, 2015	$ 4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	294,760	(80,399)	10,430,381	2,486,204	12,916,585

See accompanying notes to consolidated financial statements.

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014

(expressed in thousands of New Taiwan dollars)

	2015	2014
Cash flows from operating activities:		
Income before income taxes	$ 2,472,953	2,047,581
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	1,473,215	1,192,885
Losses (gains) related to inventories	427,434	(26,788)
Provision (reversal of provision) for bad debt allowance and sales returns and allowances	(409)	25,956
Impairment losses on property, plant and equipment	-	33,178
Interest expenses	160,220	66,560
Interest income	(161,713)	(275,451)
Compensation cost of share-based payment	51,217	30,974
Other	30,339	(11,974)
	1,980,303	1,035,340
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss – current	8,771	-
Notes and accounts receivable	(3,355,531)	(1,400,687)
Accounts receivable – related parties	5,586	(60,581)
Other receivables – current and non-current	(80,280)	159,723
Inventories	(2,536,143)	111,714
Other current assets	162,065	(94,880)
Deferred tax assets	(222,248)	38,348
Other	47,455	(70,809)
Changes in operating assets	(5,970,325)	(1,317,172)
Notes and accounts payable	5,698,649	953,446
Salary payable	174,267	400,939
Other payables	1,121,644	262,102
Other current liabilities	122,026	(60,316)
Other	(1,732)	202,578
Changes in operating liabilities	7,114,854	1,758,749
Changes in operating assets and liabilities	1,144,529	441,577
Adjustments	3,124,832	1,476,917
Cash flows from operations	5,597,785	3,524,498
Interest received	161,713	275,451
Interest paid	(160,105)	(66,497)
Income taxes paid	(577,042)	(379,257)
Net cash flows provided by operating activities	5,022,351	3,354,195
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	-	(245,600)
Acquisition of subsidiary (minus cash acquired)	(39,041)	(2,329,526)
Acquisition of property, plant and equipment	(1,964,248)	(1,131,498)
Proceeds from disposal of property, plant and equipment	66,055	36,818
Acquisition of other deferred assets	(50,646)	(77,700)
Other	13,276	(9,273)
Net cash flows used in investing activities	(1,974,604)	(3,756,779)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(1,100,639)	1,083,965
Increase (decrease) in long-term borrowings	(261,402)	1,419,722
Increase (decrease) in guarantee deposits	(46,069)	74,431
Increase in other payables – related parties	(61,350)	-
Cash dividends	(791,107)	(347,105)
Exercise of employee stock options	32,673	48,589
Net cash flows provided by (used in) financing activities	(2,227,894)	2,279,602
Effect of foreign currency exchange translation	(10,496)	150,140
Net increase in cash and cash equivalents	809,357	2,027,158
Cash and cash equivalents at beginning of year	6,814,023	4,786,865
Cash and cash equivalents at end of year	$ 7,623,380	6,814,023

See accompanying notes to consolidated financial statements.

VI. Financial review

PRIMAX ELECTRONICS LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars unless otherwise specified)

(1) Organization

Primax Electronics Ltd. ("the Company"), formerly known as Hong Chuan Investments Ltd., was incorporated on March 20, 2006, and registered under the Ministry of Economic Affairs, ROC. The Company changed its name to Hong Chuan Electronics Ltd. and Primax Electronics Ltd. in October 2007 and February 2008, respectively. The address of the Company's registered office is No. 669, Ruey Kuang Road, Neihu, Taipei.

Primax Electronics Holdings, Ltd. (Primax Holdings, formerly known as Apple Holdings Ltd.) acquired all shares of the Company from YWAN PANG Management Limited on April 2, 2007. The investment was approved by the Investment Commission, Ministry of Economic Affairs. However, all shares of the Company were sold by Primax Holdings to its stockholders in October 2009.

Based on the resolution approved by the Company's board of directors on November 5, 2007, the Company resolved to acquire and merge with Primax Electronics Ltd. ("Primax", a listed company) on December 28, 2007. The Company is the surviving company, and Primax was dissolved upon completion of the merger.

The consolidated financial statements of the Company as at and for the years ended December 31, 2015, comprised the Company and subsidiaries (together referred to as "the Group"). The major business activities of the Group were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products, shredders, amplifiers, speakers, audio systems and industrial automation parts. Please refer to note 13 for further information.

The Company's common shares were registered with the Financial Supervisory Commission, ROC ("FSC") on June 22, 2012, and listed on the Taiwan Stock Exchange ("TWSE") on October 5, 2012.

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were authorized for issuance by the board of directors on March 24, 2016.

(3) New Standards and Interpretations Not Yet Adopted

(a) Impact of the 2013 version of the International Financial Reporting Standards ("2013 Version of IFRSs") endorsed by the FSC

The Group has adopted the 2013 Version of IFRSs (excluding IFRS 9 "Financial Instruments") endorsed by the FSC in preparing the consolidated financial statements. The new standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") are as follows:

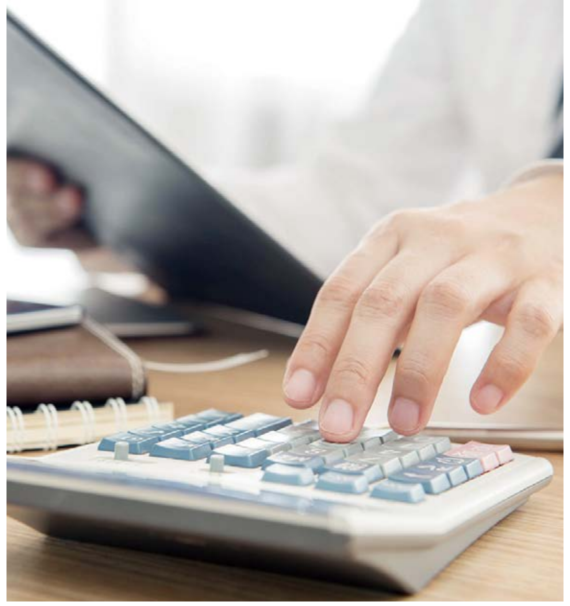
New standards, amendments and interpretations	Effective date per IASB
Amended IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amended IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amended IFRS 1 "Government Loans"	January 1, 2013
Amended IFRS 7 "Disclosure – Transfers of Financial Assets"	July 1, 2011
Amended IFRS 7 "Disclosure – Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS 10 "Consolidated Financial Statements"	January 1, 2013 (with January 1, 2014, as the effective date for investment entities)
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amended IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amended IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
Amended IAS 19 "Employee Benefits"	January 1, 2013
Amended IAS 27 "Separate Financial Statements"	January 1, 2013
Amended IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

The Group assessed that the 2013 Version of IFRSs may not have any significant impact on the consolidated financial statements except for the following:

1. **IAS 1 "Presentation of Financial Statements"**
   The amendment requires entities to separate the items presented in other comprehensive income into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax, then the tax related to each of the two groups of other comprehensive income items (those that might be reclassified and those that will not be reclassified) must be shown separately. The Group has changed the presentation of the statements of comprehensive income to conform with the amendment, and the information for 2014 has been restated accordingly.

2. **IFRS 13 "Fair Value Measurement"**
   The standard changes the definition of fair value, provides a framework for measuring fair value, and requires disclosures on fair value measurement. The Group increases the disclosures relating to fair value measurement in accordance with the standard. According to the transitional provisions of the standard, the Group has applied the fair value measurement of the new standard since 2015. The Group has not increased the disclosures for 2014. Although the Group has applied the fair value measurement of the new standard since 2015, the Group assessed that the adoption of IFRS 13 did not have significant impact on its financial position and results of operation.

3. **IFRS 12 "Disclosure of Interests in Other Entities"**
   The Group will disclose any additional information about its interests in subsidiaries accordingly.



4. **IFRS 10 "Consolidated Financial Statements"**
   The standard is a replacement for the requirements for consolidated financial statements in IAS 27 "Consolidated and Separate Financial Statements", which was renamed "Separate Financial Statements". In addition, SIC 12 "Consolidation – Special Purpose Entities" was repealed. The definition of control was revised so that the Group has control over an investee if and only if it has i) power over the investee, ii) exposure, or rights, to variable returns from its involvement with the investee, and iii) the ability to use its power over the investee to affect the amount of its returns.

(b) New standards, amendments and interpretations not yet endorsed by the FSC

A summary of the 2013 Version of IFRSs issued by the IASB but not yet endorsed by the FSC is as follows:

New standards, amendments and interpretations	Effective date per IASB
IFRS 9 " Financial Instruments"	January 1, 2018
Amended IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	Not yet approved by IASB
Amended IFRS 10, IFRS 12 and IFRS 28 "The application of the investment entities exceptions"	January 1, 2016
Amended IFRS 11 "Accounting for acquisition 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
Amended IAS 1"Disclosure Initiative"	January 1, 2016
Amended IAS 7 "Disclosure Initiative"	January 1, 2017
Amended IAS 12 "Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amended IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortization"	January 1, 2016
Amended IAS 16 and IAS 41 "Agriculture: bearer plants"	January 1, 2016
Amended IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amended IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amended IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amended IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements: 2010-2012 and 2011-2013 cycles	July 1, 2014
Annual Improvements to IFRS: 2012-2014 cycles	January 1, 2016
Amended IFRIC 21 "Levies"	January 1, 2014

The Group is in the process of assessing the impact on the financial position and the results of operations. The related impact will be disclosed following the completion of its assessments.

(4) Summary of Significant Accounting Policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC ("the IFRSs endorsed by the FSC").

(b) Basis of preparation

1. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

(1) Derivative financial instruments at fair value through profit or loss are measured at fair value;

(2) Available-for-sale financial assets are measured at fair value;

(3) Liabilities for cash-settled share-based payment are measured at fair value; and

(4) The defined benefit liabilities are recognized as plan assets less the present value of the defined benefit obligation.

2. Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

1. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change and any consideration received or paid are adjusted to equity attributable to stockholders of the Company.

2. List of subsidiaries in the consolidated financial statements

The details of the subsidiaries included in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2015	December 31, 2014	
The Company	Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	Holding company	100.00%	100.00%	—
The Company	Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	Holding company	100.00%	100.00%	—
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00%	100.00%	—
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00%	100.00%	—
The Company	Primax Electronics Korea Co., Ltd. (Primax Korea)	Market development and customer service	100.00%	100.00%	—
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00%	100.00%	Diamond was incorporated in January 2014
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00%	—	Gratus Tech. was incorporated in March 2015
The Company	Global TEK Co., Ltd. (Global TEK)	Manufacture and sale of sophisticated machinery components, automotive parts, industrial automation parts, communication parts and aerospace components	30.00%	—	(note 2)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Export and import trading	100.00%	100.00%	—
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	70.00%	70.00%	(note 1)
Global TEK	Global TEK Co., Ltd. (GT)	Manufacture of sophisticated machinery components and automotive parts	100.00%	—	(note 2)
Global TEK	Global TEK Fabrication Co., Ltd. (Samoa) (GTF-S)	Holding company	100.00%	—	(note 2)
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00%	100.00%	—

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31, 2015	December 31, 2014	
Primax HK	Primax Electronics (KS) Corp., Ltd. (PKS1)	Manufacture of computer, peripherals and keyboards	100.00%	100.00%	—
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00%	100.00%	—
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices	100.00%	100.00%	—
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00%	100.00%	—
TWEL	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00%	100.00%	(note 1)
TWEL	TYP Enterprises, Inc. (TYP)	Market development and customer service of amplifiers and their components	100.00%	100.00%	(note 1)
TYM HK	Premium Loudspeakers (Hui Zhou) Co., Ltd. (Premium Hui Zhou)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	100.00%	100.00%	(note 1)
TYM HK	Tymphany Australia Pty Ltd. (TYM Australia)	Research and development, design, and sale of audio accessories, amplifiers and their components	—	100.00%	TYM Australia was closed and finished the liquidation process in August 2015
TYM HK	TYMPHANY LOGISITCS, INC. (TYML)	Sale of audio accessories, amplifiers and their components	100.00%	—	TYML was incorporated in May 2015
TYM HK	Dongguan Tymphany Acoustic Technology Co., (Tymphany Dongguan)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	100.00%	—	Tymphany Dongguan was incorporated in September 2015
GT	GP Tech, Inc. (GP)	Sale of automotive parts, industrial automation parts, communication parts and aerospace components	100.00%	—	(note 2)
GTF-S	Global TEK Fabrication Co., Ltd. (HK) (GTF-HK)	Holding company	100.00%	—	(note 2)
GTF-S	Global TEK Co., Ltd. (Samoa) (GTS)	Holding company	100.00%	—	(note 2)
GTF-HK	WUXI GLOBAL TEK FABRICATION CO., LTD. (WUXI GLOBAL TEK)	Manufacture of sophisticated machinery components	100.00%	—	(note 2)
GTS	GLOBAL TEK (XI' AN) CO., LTD. (GLOBAL TEK XI' AN)	Manufacture of industrial automation parts, communication parts and aerospace components	100.00%	—	(note 2)
GTS and WUXI GLOBAL TEK	GLOBAL TEK CO. (WUXI), LTD. (GLOBAL TEK WUXI)	Manufacture of sophisticated machinery components and automotive parts	100.00%	—	(note 2)

Note 1: TWEL was incorporated in October 2013, acquiring all shares of TYM HK by issuing new common stock. The Company acquired 70% of the shares of TWEL by cash through its subsidiary Diamond on January 10, 2014. Therefore, the Company indirectly acquired all shares of TWEL's subsidiaries, and included them in the consolidated financial statements from the same date.

Note 2: The Company acquired 30% of the shares of Global TEK by cash on January 5, 2015. Therefore, the Company indirectly acquired all shares of Global TEK's subsidiaries. The Company has control over its relevant activities by acquiring more than 50% of the board of directors' voting rights based on the resolution of its interim meeting of shareholders held on February 13, 2015. The Company included all Global TEK's subsidiaries in the consolidated financial statements from the same date. Before the Company has control, investments in subsidiaries are accounted for using the equity method.

(d) Foreign currencies

1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in the foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences arising on the translation of non-monetary items are recognized in profit or loss except for exchange differences arising on 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.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate or joint venture including a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

1. It expects to realize the asset or intends to sell or consume it in its normal operating cycle;
2. It holds the asset primarily for the purpose of trading;
3. It expects to realize the asset within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period, or there are other restrictions.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

1. It expects to settle the liability in its normal operating cycle;
2. It holds the liability primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Time deposits with maturities within three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used for the purpose of meeting short-term commitments are reclassified as cash equivalents.

(g) Financial instruments

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

1. Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

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

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

(2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses and dividend income, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other gains and losses under non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income under non-operating income and expenses.

(3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

(4) Impairment of financial assets

A financial asset not valued through profit or loss is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event (or events) causes a loss on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Recovery and loss on doubtful debts of account receivables are included in operating expense; others are included in other gains and losses under non-operating income and expenses.

(5) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss, and it is included in other gains and losses under non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and it is included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

2. Financial liabilities and equity instruments

(1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, salary payable, and trade and other payables, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income and expenses.

(3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

(4) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

3. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposure. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in other gains and losses under non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-costing principle, and it includes the expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently. The depreciation is computed along with the depreciable amount. The method, the useful life, and the residual amount are the same as those of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in non-operating income and expenses and it is included in other gains and losses.

(j) Property, plant and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the item, and it shall be recognized ~~as other gains and losses under~~ non-operating income and expense.

2. Reclassification to investment property

Property is reclassified to investment property at its carrying amount when the use of the property changes from private to investment use.

3. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure which can be reliably measured will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

4. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life, and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(1) Buildings, leasehold improvement, and additional equipment: 1 ~ 51 years
(2) Machinery and equipment: 1 ~10 years
(3) Office and other equipment: 1 ~5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

(k) Lease

1. Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

2. Lessee

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

(l) Intangible assets

1. Goodwill

(1) Recognition

Goodwill arising from a business combination is recognized as intangible assets.

Goodwill is measured as the aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value).

(2) Subsequent measurement

Goodwill is measured at cost, less accumulated impairment losses.

2. Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses.

3. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

4. Amortization

The amortizable amount is the cost of an asset, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1. Customer relationships	10 years
2. Technology	10 years
3. Trademarks	10 years
4. Patents	2.5~10 years
5. Copyrights	15 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimate.

（m）Impairment – non-financial assets

Non-financial assets, except for inventories and deferred tax assets, are assessed for impairment, and the recoverable amounts for any impaired assets are estimated at the end of each reporting period. If it is not possible to determine the recoverable amount for an individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, or its value in use. If the recoverable amount of an individual asset or a cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or cash-generating unit shall be reduced to its recoverable amount; and that reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. An impairment loss recognized in prior periods for an individual asset or a cash-generating unit shall be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount but should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

Notwithstanding whether indicators exist, goodwill is required to be tested for impairment annually.

For the purpose of impairment testing, goodwill acquired in a business combination shall be allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. If the carrying amount of a cash-generating unit exceeds the recoverable amount of the unit, the Group shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

（n）Revenue

1. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Transfer usually occurs when the product is received at the customer's warehouse.

2. Services

The Group provides services, such as model research, development, and design, to customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction, agreed by both sides, at the reporting date.

（o）Deferred grant revenue

Deferred grant revenue with additional conditions shall be recognized if the Group fulfills the conditions and the grant revenue becomes receivable.

Deferred grant revenue shall be recognized in profit or loss on a systematic basis in the periods in which the expenses it is to compensate are recognized. Grant revenue with conditions to compensate for the acquisition cost of an asset shall be deffered and recognized in profit or loss on a systematic basis over the useful life of the asset.

If the deferred grant revenue is to compensate for the Group's expenses that have been incurred or to supply immediate financial support to the Group and there is no related cost in the future, it shall be recognized in profit or loss when the grant revenue becomes receivable.

（p）Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income and recognized in retained earnings in a subsequent period.

3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

（q）Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

（r）Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

1. Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
3. Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and

2. The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
   (1) levied by the same taxing authority; or
   (2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(s) Business combination

Goodwill is measured as the aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Group's financial statements. During the measurement period, the provisional amounts recognized are retrospectively adjusted at the acquisition date, or additional assets or liabilities are recognized to reflect the new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or other basis endorsed by the FSC.

(t) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee stock options, employee bonuses not yet resolved by the stockholders, and restricted stock.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements is included in note 4(c) "Basis of consolidation."

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in note 6(j) "Intangible assets."

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has established an internal control framework with respect to the measurement of fair values, and regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
Level 2: 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).
Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If there is any movement of financial instruments measured at fair value between Level 1, Level 2, and Level 3, the Group recognizes the movement at the reporting date. Please refer to note 6(x) for further information on measurement of fair values.

(6) Explanation of Significant Accounts

(a) Cash and cash equivalents

	December 31,2015	December 31, 2014
Cash on hand	$ 4,097	2,081
Checking accounts and demand deposits	2,939,622	2,594,229
Time deposits	4,679,661	4,217,713
	$ 7,623,380	6,814,023

Please refer to note 6(x) for the currency risk and the interest rate risk of the Group's cash and cash equivalents.

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

1. The fair value of financial instruments was as follows:

	December 31, 2015	December 31, 2014
Financial assets at fair value through profit or loss – current:		
Non-derivative financial assets:		
Mutual funds	$ 969	-
Derivative financial assets:		
Forward exchange contracts	$ 87,748	95,848
Foreign exchange swap contracts	-	437
	$ 87,748	96,285

	December 31, 2015	December 31, 2014
Financial liabilities at fair value through profit or loss – current:		
Derivative financial liabilities:		
Forward exchange contracts	$ (60,105)	(77,753)
Foreign exchange swap contracts	-	(2,837)
	$ (60,105)	(80,590)

2. The Group held the following derivative financial instruments not designated as hedging instruments presented as held-for-trading financial assets as of December 31, 2015 and 2014:

December 31, 2015			
Derivative financial instruments	**Nominal amount**	**Maturity date**	**Predetermined rate**
Forward exchange contracts – buy USD / sell TWD	USD 205,000 thousand	January 7, 2016~ February 26, 2016	32.754~32.892
Forward exchange contracts – buy TWD / sell USD	USD 205,000 thousand	January 7, 2016~ February 26, 2016	32.802~33.010
Forward exchange contracts – buy USD / sell CNY	USD 63,500 thousand	January 4, 2016~ January 19, 2016	6.4115~6.5934
Forward exchange contracts – buy CNY / sell USD	USD 40,000 thousand	January 19, 2016	6.6380
Foreign exchange contracts – buy JPY / sell USD	USD 516 thousand	January 25, 2016	120.75~122.40

December 31, 2014			
Derivative financial instruments	**Nominal amount**	**Maturity date**	**Predetermined rate**
Forward exchange contracts – buy USD / sell TWD	USD 35,000 thousand	January 6, 2015~ March 4, 2015	30.304~31.252
Forward exchange contracts – buy TWD / sell USD	USD 35,000 thousand	January 6, 2015~ March 4, 2015	30.336~31.289
Forward exchange contracts – buy USD / sell CNY	USD 161,600 thousand	January 5, 2015~ March 18, 2015	6.1555~6.2426
Forward exchange contracts – buy CNY / sell USD	USD 184,600 thousand	January 5, 2015~ March 18, 2015	6.1625~6.2546
Foreign exchange swap contracts – swap in TWD / swap out USD	USD 11,170 thousand	January 5, 2015~ January 9, 2015	30.989~31.749

3. Please refer to note 6(x) for the liquidity risk of the Group's financial instruments.

4. The Group did not provide any of the aforementioned financial assets at fair value through profit or loss – current as collateral.

(c) Available-for-sale financial assets-non-current

	December 31, 2015	December 31, 2014
Stocks listed in domestic markets	$ 551,600	-
Stocks unlisted in domestic markets	16,297	275,536
Stocks unlisted in foreign markets	16,533	17,380
	$ 584,430	292,916

1. In December 2014, the Group acquired 2,272 thousand shares of Nien Made Enterprise Co., Ltd. at NT$108 (dollars) per share for consideration of $245,600, and the shares were recognized as available-for-sale financial assets – non-current. The stock of Nien Made Enterprise Co. has been listed in the domestic market since December 22, 2015.

2. In the second quarter of 2014, Titan 1 Venture Capital Co., Ltd. refunded $4,616 to the Group due to capital reduction. The difference between the refund and the book value amounting to $482 was recorded by the Group as other gains and losses.

3. In July 2015, WK Technology Fund IV Ltd. refunded $1,600 to the Group due to capital reduction.

4. Titan 1 Venture Capital Co., Ltd. and Neosonica Technologies Inc. were closed and finished the liquidation process in August and March 2015, respectively. The Group received $175 due to the liquidation and recorded it as other gains and losses.

5. The impairment loss was $939 and $8,030 for the years ended December 31, 2015 and 2014, respectively, and was recognized as other gains and losses.

6. The unrealized gains were $294,053 and $945 for the years ended December 31, 2015 and 2014, respectively, and were recognized as unrealized gains on available-for-sale financial assets.

7. The Group did not provide any of the aforementioned available-for-sale financial assets as collateral.

(d) Notes and accounts receivable, and other receivables (including related parties)

	December 31, 2015	December 31, 2014
Notes receivable	$ 134,860	6,565
Accounts receivable	14,353,936	10,512,147
Accounts receivable – related parties	54,995	60,581
Other receivables	462,242	370,254
Less: allowance for doubtful accounts	(29,247)	(26,034)
allowance for sales returns and discounts	(34,927)	(39,530)
	$ 14,941,859	10,883,983

1. The Group did not provide any of the aforementioned notes and accounts receivable, and other receivables (including related parties) as collateral.

2. Please refer to note 6(x) for changes in the allowance for doubtful accounts and the credit risk and currency risk for the years ended December 31, 2015 and 2014.

3. Please refer to note 9 for guarantee notes provided by the Company to sell its accounts receivable.

(e) Inventories

	December 31, 2015	December 31, 2014
Raw materials	$ 1,465,472	1,407,480
Semi-finished goods and work in process	1,488,325	991,541
Finished goods and merchandise	4,396,812	2,411,957
	$ 7,350,609	4,810,978

The Group did not provide any of the aforementioned inventories as collateral.

For the years ended December 31, 2015 and 2014, the Group recognized the following items as cost of goods sold:

	2015	2014
Additional gains (losses) on inventory valuation	$ (149,068)	158,184
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	(92,214)	(67,179)
Loss on disposal of inventories	(185,421)	(63,140)
Loss on physical inventories	(731)	(1,077)
	$ (427,434)	26,788

VI. Financial review

(f) Subsidiaries and non-controlling interest

1. Global TEK Group

Based on the resolution approved by the board of directors' meeting held on October 15, 2014, the Company signed a share subscription agreement and a share purchase agreement with Global TEK and its primary stockholders, respectively, and acquired 30% of Global TEK's shares.

Global TEK is a manufacturer of sophisticated machinery components. By obtaining control of Global TEK and its subsidiaries, the Company will integrate Global TEK's experience in sophisticated machinery components with the Company's own technology related to audio systems and camera modules to provide the ultimate vehicle digital system to consumers. The acquisition will allow the Group to take part in the vehicle component supply chain, driving the growth of its revenue and profit in the foreseeable future.

(1) Consideration transferred

According to the share subscription agreement and share purchase agreement, the consideration transferred was $545,490 without contingent cost or other equity instruments. The settlement date was January 5, 2015.

(2) Obtaining control

The Company holds only 30% of Global TEK's shares. However, the Company has control power over its relevant activities by acquiring more than 50% of the board of directors' voting rights based on the resolution of its interim meeting of stockholders held on February 13, 2015. The Company will include the Global TEK Group in the consolidated financial statements from the same date in accordance with IFRS 10.

(3) According to IFRSs, the fair value of net assets acquired should be measured on the acquisition date. Therefore, the Company evaluated the fair value and useful lives of intangible assets at the time of acquisition. The Company engaged experts to evaluate its identifiable net assets. According to the result, identifiable intangible assets comprised customer relationships amounting to $109,000, technology amounting to $100,000, and goodwill amounting to $340,999.

(4) Details of consideration transferred, assets acquired, and liabilities assumed at the date of acquisition were as follows:

Items		Amount
Cash	$	545,490
Fair value of non-controlling interest		1,272,810
Fair value	$	**1,818,300**
Fair value of identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents		506,449
Financial assets at fair value through profit or loss – current		1,203
Notes and accounts receivable		615,534
Other receivables		11,703
Inventories		430,922
Other current assets		67,166
Property, plant and equipment		1,095,093
Deferred tax assets		13,475
Long-term prepaid rent		102,359
Other non-current assets		25,724
Short-term and long-term borrowings		(741,297)
Notes and accounts payable		(412,070)
Salary payable and other payables		(309,387)
Other current liabilities		(28,679)
Deferred tax liabilities		(103,855)
Other non-current liabilities		(6,039)
		1,268,301
Intangible assets recognized from purchase price allocation:		
Customer relationships		109,000
Techniques		100,000
Goodwill		340,999
		549,999
	$	**1,818,300**

(5) Intangible assets

A. Goodwill

Goodwill mainly came from the reputation, profitability, and value of employees which have been established by Global TEK and its subsidiaries in the automotive, instrument, aerospace and sophisticated machinery components market. There was no tax effect attributable to goodwill recognized from the acquisition.

B. Customer relationships

Customer relationships mainly came from continuous cooperation with clients for which the relationships are expected to be beneficial in the future.

C. Technology

Global TEK owned the manufacturing technology for the automotive parts, industrial automation parts, communication parts, aerospace components, medical equipment and sophisticated machinery components. The technology is expected to be beneficial in the future.

(6) The cost of acquisition

The valuation fees and on-site examination expenses of $824 due to the acquisition transaction were recognized as administrative expenses in the statement of comprehensive income in the fourth quarter of 2014 and the year 2015.

(7) Simulated operating results

Operating results of Global TEK and its subsidiaries were merged into the Company's consolidated comprehensive income statement since the date of obtaining control, contributing operating revenue of $2,051,106 and net income of $30,042. If the acquisition had occurred on January 1, 2015, the simulated operating revenue and net income would have been $65,746,063 and $1,825,736, respectively

2. Tymphany Group

Based on the resolution approved by the board of directors' meeting held on October 25, 2013, the Company signed a share purchase agreement with Tymphany, a manufacturer of amplifiers. The Company obtained control of Tymphany Worldwide Enterprises Ltd. (TWEL) and its subsidiaries by acquiring 70% of the shares through its subsidiary Diamond (Cayman) Holdings Ltd. The aforementioned acquisition was approved by the Investment Commission, Ministry of Economic Affairs, on December 26, 2013, and the shares were transferred and registered on January 10, 2014, which was also the acquisition date.

Tymphany designs, manufactures, and sells amplifiers, speakers and audio systems. By obtaining control of TWEL and its subsidiaries, the Group will integrate Tymphany's experience in amplifiers and audio systems with the Group's own technology related to consumer electronics and wireless communication to provide the ultimate digital family systems to consumers. The acquisition will allow the Group to rapidly expand its digital-family product line and its relationships with this internationally famous brand, driving the growth of its revenue and profit in the foreseeable future.

(1) Consideration transferred

According to the share purchase agreement, the consideration transferred was $2,515,800 (USD 84,000) without contingent cost or other equity instruments.

(2) According to IFRSs, the fair value of net assets acquired should be measured on the acquisition date. Therefore, the Company evaluated the fair value and useful lives of intangible assets at the time of acquisition. The Company engaged experts to evaluate its identifiable net assets. According to the result, identifiable intangible assets comprised customer relationships amounting to $718,800, technology amounting to $419,300, and goodwill amounting to $1,850,383.

(3) Details of consideration transferred, assets acquired, and liabilities assumed at the date of acquisition were as follows:

Items		Amount
Cash	$	2,515,800
Fair value of non-controlling interest		1,078,200
Fair value	$	**3,594,000**

VI. Financial review

VI. Financial review

Items	Amount
Fair value of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	$ 186,274
Notes and accounts receivable and other receivables	1,434,395
Inventories	734,797
Other current assets	155,776
Property, plant and equipment	155,833
Deferred tax assets	40,107
Other non-current assets	22,550
Short-term and long-term borrowings	(486,213)
Accounts payable	(1,213,138)
Salary payable and other payables	(221,561)
Other current liabilities	(94,733)
Deferred tax liabilities	(107,219)
Other non-current liabilities	(1,351)
	605,517
Intangible assets recognized from purchase price allocation:	
Customer relationships	718,800
Technology	419,300
Goodwill	1,850,383
	2,988,483
	$ 3,594,000

（4）Intangible assets

A. Goodwill

Goodwill mainly came from the reputation, profitability, and value of employees which have been established by TWEL and its subsidiaries in the amplifier and audio system market. There was no tax effect attributable to goodwill recognized from the acquisition.

B. Technology

TWEL and its subsidiaries owned designs for digital electronics, audio frequency, acoustics, user interface, and hardware and software systems, combined with wireless technology like Bluetooth and WiFi, to design and manufacture professional amplifier and audio system products. The useful lives of technology acquired were estimated to be 10 years.

C. Customer relationships

Customer relationships mainly came from continuous cooperation with clients for which the relationships are expected to be beneficial in the future. The useful lives of customer relationships acquired were estimated to be 10 years.

（5）The cost of acquisition

The legal fees and on-site examination expenses of $8,260 and $1,712 due to the acquisition transaction were recognized as administrative expenses in the statement of comprehensive income in the fourth quarter of 2013 and the first quarter of 2014, respectively.

（6）Simulated operating results

Operating results of TWEL and its subsidiaries were merged into the Company's consolidated comprehensive income statement since the acquisition date, contributing operating revenue of $6,465,621 and net income of $398,587. If the acquisition had occurred on January 1, 2014, the simulated operating revenue and net income would have been $52,421,302 and $1,627,337, respectively.

（g）Details of subsidiaries that have material non-controlling interests

Details of subsidiaries that have material non-controlling interests were as follows:

Name of subsidiary	Principal Place of Business/ Registered Country	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31, 2015	December 31, 2014
TWEL and its subsidiaries	Hong Kong and China/Cayman Is.	30%	30%
Global TEK and its subsidiaries	Taiwan and China/Taiwan	70%	-%

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information prepared in accordance with the IFRSs endorsed by the FSC reflects the adjustments of fair value and differences in accounting policies. It represents amounts before intragroup eliminations.

1. TWEL and its subsidiaries:

	December 31, 2015	December 31, 2014
Current assets	$ 4,380,696	3,089,793
Non-current assets	3,126,982	3,192,799
Current liabilities	(3,440,368)	(2,323,839)
Non-current liabilities	(97,340)	(97,970)
Net assets	$ 3,969,970	3,860,783
Non-controlling interests	$ 1,190,991	1,158,234

	2015	2014
Operating revenue	$ 6,683,250	6,443,274
Net income	$ 75,945	214,258
Other comprehensive income	31,069	52,462
Comprehensive income	$ 107,014	266,720
Net income attributable to non-controlling interests	$ 22,784	64,277
Comprehensive income attributable to non-controlling interests	$ 32,104	80,016

	2015	2014
Cash flows from operating activities	$ 499,900	1,225,924
Cash flows from investing activities	(129,569)	(119,246)
Cash flows from financing activities	9,852	(482,196)
Effect of foreign currency exchange translation	32,610	(13,855)
Net increase in cash and cash equivalents	$ 412,793	610,627
Dividends paid to non-controlling interests	$ -	-

2. Global TEK and its subsidiaries

	December 31, 2015
Current assets	$ 1,447,425
Non-current assets	1,805,801
Current liabilities	(994,338)
Non-current liabilities	(408,586)
Net assets	$ 1,850,302
Non-controlling interests	$ 1,295,213

	February to December, 2015
Operating revenue	$ 2,051,106
Net income	$ 30,042
Other comprehensive income	1,961
Comprehensive income	$ 32,003
Net income attributable to non-controlling interests	$ 21,029
Comprehensive income attributable to non-controlling interests	$ 22,403

	February to December, 2015
Cash flows from operating activities	$ 184,499
Cash flows from investing activities	(194,508)
Cash flows from financing activities	(211,459)
Effect of foreign currency exchange translation	(6,419)
Net increase in cash and cash equivalents	$ (227,887)
Dividends paid to non-controlling interests	$ -

(h) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2015 and 2014, were as follows:

	Land	Buildings, leasehold improvement, and additional equipment	Machinery and equipment	Office and other equipment	Construction in progress and testing equipment	Government grants	Total
Cost or deemed cost:							
Balance on January 1, 2015	$ 22,879	3,062,153	4,741,057	578,964	779,029	(12,911)	9,171,171
Additions	-	22,316	740,599	58,719	1,910,503	-	2,732,137
Disposals	-	(146,771)	(392,772)	(42,442)	(263)	-	(582,248)
Acquisition from business combination	262,094	305,927	328,301	74,644	124,127	-	1,095,093
Reclassifications	-	935,689	1,218,445	19,211	(2,293,135)	-	(119,790)
Effect of movements in exchange rates	-	(33,749)	(57,223)	(8,885)	(17,019)	180	(116,696)
Balance on December 31, 2015	**$ 284,973**	**4,145,565**	**6,578,407**	**680,211**	**503,242**	**(12,731)**	**12,179,667**
Balance on January 1, 2014	$ 22,879	2,864,105	4,043,775	463,430	151,353	(12,281)	7,533,261
Additions	-	50,195	271,668	50,784	912,684	-	1,285,331
Disposals	-	(47,493)	(167,306)	(27,908)	-	-	(242,707)
Acquisition from business combination	-	2,299	89,292	64,242	-	-	155,833
Reclassifications	-	49,332	267,034	587	(319,375)	-	(2,422)
Effect of movements in exchange rates	-	143,715	236,594	27,829	34,367	(630)	441,875
Balance on December 31, 2014	**$ 22,879**	**3,062,153**	**4,741,057**	**578,964**	**779,029**	**(12,911)**	**9,171,171**
Depreciation and impairments loss:							
Balance on January 1, 2015	$ -	1,643,871	3,214,184	384,695	-	(6,724)	5,236,026
Depreciation	-	250,280	927,402	97,889	-	(2,929)	1,272,642
Disposals	-	(140,657)	(306,801)	(37,535)	-	-	(484,993)
Reclassifications	-	5,146	(72,971)	10,459	-	-	(57,366)
Effect of movements in exchange rates	-	(21,263)	(43,339)	(6,137)	-	74	(70,665)
Balance on December 31, 2015	$ **-**	**1,737,377**	**3,718,475**	**449,371**	**-**	**(9,579)**	**5,895,644**
Balance on January 1, 2014	$ -	1,341,204	2,508,045	298,515	-	(3,551)	4,144,213
Depreciation	-	261,816	668,954	86,721	-	(2,837)	1,014,654
Impairment loss	-	-	33,178	-	-	-	33,178
Disposals	-	(43,418)	(150,543)	(27,798)	-	-	(221,759)
Reclassifications	-	-	(554)	-	-	-	(554)
Effect of movements in exchange rates	-	84,269	155,104	27,257	-	(336)	266,294
Balance on December 31, 2014	$ -	1,643,871	3,214,184	384,695	-	(6,724)	5,236,026
Carrying amounts:							
Balance on December 31, 2015	**$ 284,973**	**2,408,188**	**2,859,932**	**230,840**	**503,242**	**(3,152)**	**6,284,023**
Balance on December 31, 2014	**$ 22,879**	**1,418,282**	**1,526,873**	**194,269**	**779,029**	**(6,187)**	**3,935,145**
Balance on January 1, 2014	**$ 22,879**	**1,522,901**	**1,535,730**	**164,915**	**151,353**	**(8,730)**	**3,389,048**

1. The unamortized deferred revenue of equipment subsidy amounted to $1,018,732 and $63,143 for the years ended December 31, 2015 and 2014, respectively.
2. Please refer to note 8 for further information on property, plant and equipment provided as collateral.

(i) Investment property

	Land	Buildings and other equipment	Total
Cost or deemed cost:			
Balance on January 1, 2015	$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2015	**$ 162,012**	**172,167**	**334,179**
Balance on January 1, 2014	$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2014	**$ 162,012**	**172,167**	**334,179**
Depreciation and impairment losses:			
Balance on January 1, 2015	$ 33,941	37,969	71,910
Depreciation	-	3,560	3,560
Balance on December 31, 2015	**$ 33,941**	**41,529**	**75,470**
Balance on January 1, 2014	$ 33,941	34,409	68,350
Depreciation	-	3,560	3,560
Balance on December 31, 2014	**$ 33,941**	**37,969**	**71,910**
Carrying amounts:			
Balance on December 31, 2015	**$ 128,071**	**130,638**	**258,709**
Balance on December 31, 2014	**$ 128,071**	**134,198**	**262,269**
Balance on January 1, 2014	**$ 128,071**	**137,758**	**265,829**
Fair value:			
Balance on December 31, 2015			**$ 592,092**
Balance on December 31, 2014			**$ 561,338**
Balance on January 1, 2014			**$ 622,009**

1. The fair value of investment property is based on the market value.
2. Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 2 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(m) for further information.
3. The Group did not provide any of the aforementioned investment property as collateral.

VI. Financial review

(j) Intangible assets

The cost and amortization of the intangible assets of the Group for the years ended December 31, 2015 and 2014, were as follows:

	Goodwill	Customer Relationships	Technology	Trademarks, Patents and Copyrights	Total
Cost or deemed cost:					
Balance at January 1, 2015	$ 1,850,383	718,800	419,300	122,079	3,110,562
Acquisition	-	-	-	17	17
Acquisition from business combination	340,999	109,000	100,000	-	549,999
Effect of movements in exchange rates	-	-	-	32	32
Balance at December 31, 2015	$ 2,191,382	827,800	519,300	122,128	3,660,610
Balance at January 1, 2014	$ -	-	-	120,687	120,687
Acquisition	-	-	-	1,306	1,306
Acquisition from business combination	1,850,383	718,800	419,300	-	2,988,483
Effect of movements in exchange rates	-	-	-	86	86
Balance at December 31, 2014	$ 1,850,383	718,800	419,300	122,079	3,110,562
Amortization and impairment loss:					
Balance at January 1, 2015	$ -	70,141	40,916	82,861	193,918
Amortization	-	81,418	54,430	8,642	144,490
Effect of movements in exchange rates	-	-	-	11	11
Balance at December 31, 2015	$ -	151,559	95,346	91,514	338,419
Balance at January 1, 2014	$ -	-	-	74,208	74,208
Amortization	-	70,141	40,916	8,628	119,685
Effect of movements in exchange rates	-	-	-	25	25
Balance at December 31, 2014	$ -	70,141	40,916	82,861	193,918
Carrying amount:					
Balance at December 31, 2015	$ 2,191,382	676,241	423,954	30,614	3,322,191
Balance at December 31, 2014	$ 1,850,383	648,659	378,384	39,218	2,916,644
Balance at January 1, 2014	$ -	-	-	46,479	46,479

1. Intangible assets included customer relationships, technology, and goodwill from obtaining control of Global TEK and its subsidiaries on January 5, 2015; please refer to note 6(f).
2. Intangible assets included customer relationships, technology, and goodwill from obtaining control of TWEL and its subsidiaries on January 10, 2014; please refer to note 6(f).
3. The Group did not provide any of the aforementioned intangible assets as collateral.

(k) Short-term borrowings

The details were as follows:

	December 31, 2015	December 31, 2014
Unsecured bank loans	$ 1,130,518	2,148,800
Secured bank loans	220,051	-
Short-term borrowings	$ 1,350,569	2,148,800
Unused credit lines	$ 10,729,002	6,374,139
Annual interest rates	0.85%~5.89%	0.80%~1.60%

Please refer to note 8 for further information on assets provided as collateral.

(l) Long-term borrowings

The details were as follows:

	December 31, 2015			
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	0.95~2.78%	2016~2020	$ 1,374,282
〃	USD	2.66%	2018	41,037
Secured bank loans	TWD	1.73%~2.13%	2016~2026	215,963
〃	USD	3.2404%~3.3%	2018~2030	46,205
Less: current portion				(622,347)
Total				$ 1,055,140
Unused credit lines				$ 228,086

	December 31, 2014			
	Currency	Annual interest rate	Maturity year	Amount
Unsecured bank loans	TWD	1.05%~1.48%	2017	$ 1,500,000
Less: current portion				(600,000)
Total				$ 900,000
Unused credit lines				$ 1,789,600

1. Pursuant to the loan agreements with Industrial Bank of Taiwan, The Export-Import Bank of the ROC and CTBC Bank, the Company has to maintain the following financial ratios calculated based on the Company's semi-annual audited (reviewed) consolidated financial statements. As of December 31, 2015, the Company had not violated the financial covenants. The financial covenants include (1) a current ratio of not less than 100%; (2) a financial debt ratio of not greater than 75%; (3) an interest coverage ratio of not less than 400%; and (4) stockholders' equity of not less than $4,000,000. If the Company violates the financial covenants, the banks have the right to charge a default penalty or to require the Company to improve its financial ratios.
2. Please refer to note 9 for the details of the outstanding guarantee notes.
3. Please refer to note 8 for further information on assets provided as collateral.

(m) Operating lease

1. Lessee

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2015	December 31, 2014
Less than one year	$ 251,403	256,375
Between one and five years	508,595	656,982
More than five years	7,203	41,545
	$ 767,201	954,902

VI. Financial review

The Group leases a number of offices and warehouses and pieces of equipment under operating leases. The lease terms are between 1 and 15 years.

2. Lessor

The Group leases out its investment property under operating leases. Please refer to note 6(i) for further information. Non-cancellable operating leases are receivable as follows:

	December 31, 2015	December 31, 2014
Less than one year	$ 1,060	5,584

(n) Employee benefits

1. Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of the plan assets of the Group were as follows:

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	$ 180,297	162,598
Fair value of plan assets	113,587	104,919
Deficit in the plan	66,710	57,679
Asset ceiling	-	-
Net defined benefit liability	$ 66,710	57,679

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(1) Composition of plan assets

The Group contributes pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $113,587 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Defined benefit obligation at January 1	$ 162,598	169,353
Business combinations	18,522	-
Benefits paid by plan assets	(15,239)	(8,695)
Current service costs and interest	5,000	5,025
Remeasurement of net defined liability	9,416	(3,085)
Defined benefit obligation at December 31	$ 180,297	162,598

(3) Movements in the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Group for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Fair value of plan assets at January 1	$ 104,919	108,207
Business combinations	15,299	-
Remeasurement of net defined liability	748	258
Contributions made	5,432	2,942
Expected return on plan assets	2,428	2,207
Benefits paid by plan assets	(15,239)	(8,695)
Fair value of plan assets at December 31	$ 113,587	104,919

(4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Service cost	$ 1,322	1,638
Interest cost	1,250	1,180
Expenses	$ 2,572	2,818

(5) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	December 31, 2015	December 31, 2014
Discount rate	1.375%~1.750%	2.125%
Future salary increase rate	2%~3.250%	3.250%

The expected contribution to be made by the Group to the defined benefit plans for the one-year period after the reporting date was $4,200. The weighted-average duration of the defined benefit obligation is 10~13.2 years.

(6) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation would have been as follows:

	Increased 0.25%	Decreased 0.25%
Discount rate	$ (4,354)	4,513
Future salary increase rate	$ 4,342	(4,213)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of the sensitivity analysis for 2015 and 2014.

VI. Financial review

2. Defined contribution plans

The Company, Global TEK and GT contribute 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company, Global TEK and GT contribute a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's, Global TEK's and GT's foreign subsidiaries have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred without additional legal or constructive obligation.

The Group recognized pension costs under the defined contribution method amounting to $411,144 and $271,335 for the years ended December 31, 2015 and 2014, respectively, recorded as operating expenses and operating cost in the statement of comprehensive income.

（o）Income taxes

1. The amounts of income tax expenses for 2015 and 2014 were as follows:

		2015	2014
Current tax expense	$	851,551	370,738
Deferred tax expense (benefit)		(195,533)	67,876
Income tax expense	$	656,018	438,614

2. Reconciliation of income tax expenses and profit before tax for 2015 and 2014 was as follows:

		2015	2014
Income tax calculated based on tax rates	$	764,216	705,435
Overseas investment losses (gains) recognized under the equity method		(105,331)	(119,243)
Non-taxable income		(106,166)	(148,161)
Investment tax credits accrued		(83,224)	(42,794)
Prior year's income tax adjustment		(4,882)	7,561
10% surtax on unappropriated earnings		60,246	29,548
Other		131,159	6,268
	$	656,018	438,614

3. Deferred tax assets and liabilities

（1）Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with subsidiaries' earnings. Also, the management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

		December 31, 2015	December 31, 2014
Aggregate amount of temporary differences related to investments in subsidiaries	$	475,399	388,595

（2）Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2015	December 31, 2014
Deductible temporary differences	$	73,829	76,900
Tax losses		73,004	-
	$	146,833	76,900

The deductible temporary losses and differences cannot be realized, or there may not be sufficient taxable profit to utilize after the Group's evaluation. Therefore, they were not recognized as deferred tax assets.

（3）Recognized deferred tax assets and liabilities Changes in the amount of deferred tax assets and liabilities for 2015 and 2014 were as follows:

		Investment income recognized under the equity method (overseas)	Unrealized foreign exchange gains	Amortization of appraised value adjustment of intangible assets	Others	Total
Deferred tax liabilities:						
Balance on January 1, 2015	$	89,222	3,500	94,596	1,351	188,669
Acquisition from business combination		23,824	-	73,246	6,785	103,855
Recognized in profit or loss		42,440	(3,500)	(15,833)	3,479	26,586
Recognized in other comprehensive income		-	-	-	(2,049)	(2,049)
Balance on December 31, 2015	$	155,486	-	152,009	9,566	317,061
Balance on January 1, 2014		47,102	3,418	-	1,396	51,916
Acquisition from business combination		-	-	104,825	2,394	107,219
Recognized in profit or loss		42,120	82	(10,229)	(2,439)	29,534
Balance on December 31, 2014	$	89,222	3,500	94,596	1,351	188,669

	Bad debt in excess of tax limit	Loss carryforword	Unfunded pension fund contribution	Unrealized sales returns and allowances	Loss on inventory valuation	Deferred granted revenue	Unrealized exchange losses	Others	Total
Deferred tax assets:									
Balance on January 1, 2015	$ 11,653	38,914	14,875	29,977	19,860	15,595	-	23,817	154,691
Acquisition from business combination	-	-	463	-	2,842	-	2,581	7,589	13,475
Recognized in profit or loss	21,913	(16,586)	(994)	14,264	(13,256)	173,628	17,072	26,078	222,119
Recognized in other comprehensive income	-	-	129	-	-	-	-	-	129
Balance on December 31, 2015	$ 33,566	22,328	14,473	44,241	9,446	189,223	19,653	57,484	390,414
Balance on January 1, 2014	12,172	86,805	15,153	15,789	2,969	-	-	20,044	152,932
Acquisition from business combination	-	-	-	-	26,545	-	-	13,562	40,107
Recognized in profit or loss	(519)	(47,891)	(278)	14,188	(9,654)	15,595	-	(9,789)	(38,348)
Balance on December 31, 2014	$ 11,653	38,914	14,875	29,977	19,860	15,595	-	23,817	154,691

4. The Company's, Global TEK's and GT's income tax returns have been examined by the tax authority through the years up to 2013. However, the Company disagreed with the examination of the income tax return for 2008 and requested an administrative remedy. The tax effect of the administrative remedy has been recognized by the Company.

5. Information related to the unappropriated earnings and tax deduction ratio is summarized below:

		December 31, 2015	December 31, 2014
Unappropriated earnings in 1998 and after	$	3,951,934	3,132,488
Balance of imputation credit account	$	420,838	385,069

	2015 (estimated)	2014 (actual)
Creditable ratio for earnings distribution to ROC residents stockholders	18.12%	15.12%

The above information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance, ROC, on October 17, 2013.

(p) Capital and other equity

As of December 31, 2015 and 2014, the nominal common stock amounted to $5,000,000. Face value of each share is $10 (dollars), which means in total there were 500,000 thousand authorized common shares, of which 441,188 and 434,658 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2015 and 2014 was as follows:

	Ordinary shares	
(in thousands of shares)	2015	2014
Balance on January 1	434,658	433,573
Exercise of employee stock options	3,810	1,050
Issued for restricted stock	3,000	355
Retirement of restricted stock	(280)	(320)
Balance on December 31	441,188	434,658

1. Common stock

(1) The Company issued 3,810 thousand and 1,050 thousand new shares of common stock for the exercise of employee stock options in 2015 and 2014, respectively. The related registration procedures were also completed.

(2) Employee stock options exercised without registration procedures were recorded as capital collected in advance. The exercise price and units as of December 31, 2015 and 2014, were as follows:

	December 31,2015	
	Exercised shares (in thousands)	Exercise price
Exercise price per share: $11.42	235	$ 2,679
Exercise price per share: $26.50	472	12,495
	707	**$ 15,174**

	December 31,2014	
	Exercised shares (in thousands)	Exercise price
Exercise price per share: $11.42	2,151	$ 24,563
Exercise price per share: $17.90	275	4,922
Exercise price per share: $27.70	340	9,418
	2,766	**$ 38,903**

2. Capital surplus

The balances of capital surplus as of December 31, 2015 and 2014, were as follows:

	December 31, 2015	December 31, 2014
Additional paid-in capital	$ 447,630	392,739
Employee stock options	236,277	256,985
Restricted employee stock options	93,461	23,819
	$ 777,368	**673,543**

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

3. Retained earnings

According to the articles of the Company, 10% of its annual net income after settling accumulated deficit, if any, is to be set aside as legal reserve until it is equal to authorized capital. Also, a special reserve should be retained or reversed under related regulations. After the recognition or reversal of special reserve, 2% to 10% is to be appropriated as employee bonuses, and a maximum of 2% as directors' and supervisors' remuneration. The remainder, if any, is to be distributed as dividends as determined by the board of directors and approved by the stockholders.

The Company is at the growth stage and considers its future cash demand, long-term financial plans, benefits to stockholders, and balanced dividends. Earnings distribution is made by stock dividend and cash dividend. The cash dividend shall not be less than 10 percent of the total dividends and could be adjusted depending on the Company's operating condition.

According to the Company Act as amended in May 2015, employee bonuses and directors' and supervisors' remuneration are no longer subject to earnings distribution, and the Company will make all the necessary changes to its articles of association before the deadline specified by the authorities.

(1) Legal reserve

In accordance with the Company Act, 10 percent of the net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

(2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by $97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve, shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to $97,300 on December 31, 2015.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other stockholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

(3) Earnings distribution

Employee bonuses amounted to $71,318 for 2014. Directors' and supervisors' remuneration amounted to $28,527 for 2014. These amounts were calculated based on the Company's net profit for 2014 by using the earnings allocation method as stated under the Company's articles. These benefits were expensed under operating costs or operating expenses during 2014.

On June 29, 2015, and June 24, 2014, the stockholders' meeting resolved the distribution of earnings for 2014 and 2013, respectively. The distribution was NT$1.8 and 0.8 (dollars) per share, which amounted to $791,107 thousand and $347,105 thousand, respectively. The differences between the amounts approved in the stockholders' meeting and those recognized in the financial statements for employee bonuses and remuneration for directors and supervisors were as follows:

	2014		
	Actual earnings distributed	**Accrued in the financial statements**	**Difference**
Employee bonuses			
Stock	$ -	-	-
Cash	71,000	71,318	318
Directors' and supervisors' remuneration	27,800	28,527	727

	2013		
	Actual earnings distributed	**Accrued in the financial statements**	**Difference**
Employee bonuses			
Stock	$ -	-	-
Cash	32,000	31,966	(34)
Directors' and supervisors' remuneration	12,000	12,787	787

Differences between the amounts approved in the stockholders' meeting and those recognized in the financial statements for the distributions of earnings for 2014 and 2013 were accounted for as changes in accounting estimates and recognized as profit or loss in the years 2015 and 2014, respectively.

The information about the employee bonuses and the directors' and supervisors' remuneration approved in the board of directors' and stockholders' meetings can be accessed in the Market Observation Post System.

(q) Share-based payment

1. Employee stock options and share-based payment

(1) On December 28, 2007, the Company merged with Primax and assumed the outstanding employee stock options of Primax. Based on the swap ratio approved by Primax Holdings' board of directors, Primax Holdings issued 1,795,879 units of employee stock options in exchange for all of the employee stock options issued by Primax. According to the option plan, each unit could be converted into 1 common share of Primax Holdings. The primary terms and conditions of the employee stock options were as follows:

A. Exercise period:

From the grant dates in May 2005, June and December 2006, and February and March 2007, the options are exercisable at the following rates two years after the grant date. The term of the employee stock options is 5 years. The employee stock options and any right thereof shall not be transferred, pledged, donated, or disposed of in any way, with the exception of inherited options.

Period following the grant of options	Exercisable percentage (cumulative)
2 years	50%
3 years	100%

B. Procedure for fulfilling obligation: Primax Holdings fulfills its obligation by issuing new common stock.

(2) Based on the resolution approved in the board of directors' meeting of Primax Holdings held on December 31, 2007, Primax Holdings declared an incentive plan to grant the right to some employees of the Company to participate in the subscription of the non-voting ordinary shares of Primax Holdings. The transaction is a kind of equity-settled share-based payment agreement, and the equity instruments under this agreement were vested at the date of grant. Primax Holdings recognized the compensation cost by using the fair value method. The difference in value between the net value per share of Primax Holdings determined at the grant date and the exercise price per share was recognized as cost of long-term investment in the Company by Primax Holdings in 2007, and was recognized as compensation cost and capital surplus by the Company. Based on the resolution approved in the board of directors' meeting of Primax Holdings held in April 2008, Primax Holdings amended the share-based payment agreement mentioned above, and consequently, the non-voting ordinary shares were replaced by options to purchase them. The amendment had no impact on the accompanying consolidated financial statements.

(3) In addition, Primax Holdings declared an incentive plan to grant stock options to employees of the Company in January, May and November 2008 to participate in the subscription of the non-voting ordinary shares of Primax Holdings. Some of the options are vested at the grant date; the others are vested from two years to five years after the grant date. Primax Holdings recognized the compensation cost by using the fair value method as cost of long-term investment in the Company, and the Company correspondingly recognized it as compensation cost and capital surplus.

(4) Based on the resolution approved in the board of directors' meetings of Primax Holdings and the Company held in December 2008, the Company issued employee stock options in exchange for part of the unvested or unexercised employee stock options issued by Primax Holdings. Specifically, 2.94 units of employee stock options were issued by the Company in exchange for 1 unit of the employee stock options issued by Primax Holdings. Each unit of the Company's options could be converted into 1 common share of the Company. The exercise price of Primax Holdings' options is USD0.2 per unit; the exercise price of the Company's options is NT$11.42 (dollars) per unit after the modification. Meanwhile, the Company granted a certain amount of retention bonus to employees at the modification date, and the Company shall pay the retention bonus when the Company's stock options are exercised. The other terms and conditions of the employee stock options are not changed. According to the modification, the Company decreased the capital surplus by $118,089, and recognized a corresponding increase in retention bonus payable (recorded as accrued expense and other liabilities) on December 30, 2008. The incremental fair value of $55,308 resulting from the modification will be recognized as compensation cost over the remainder of the vesting period.

(5) In accordance with the revised employee stock option plan mentioned above, the Company issued 9,545,248 units of employee stock options in November 2009. Each unit could be converted into 1 common share of the Company.

(6) In September 2011, the Company's board of directors resolved to issue employee stock options (Plan 3). The plan was approved by the SFB in October 2011, and the maximum number of options authorized to be granted was 5,000 units with each unit eligible to be converted into 1,000 common shares of the Company when exercised. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries in which the Company owns, directly or indirectly, more than fifty percent (50%) of the subsidiary's voting rights. The Company actually issued 1,500 units and 3,500 units in November 2011 and October 2012, respectively, which were evaluated at fair value. In accordance with the employee stock option plan mentioned above, the Company recognized the investment and capital surplus amounting to $1,523 and $265 in 2015 and 2014, respectively.

(7) As of December 31, 2015, outstanding employee stock options of the Company for equity-settled share-based payment were as follows:

	Plan 1 (note 1)	Plan 2 (note 2)	Plan 3 (note 3)	
			Issued in November 2011	Issued in October 2012
Modification and grant date	December 30, 2008/ November 12, 2009	December 30, 2008/ November 12, 2009	November 24, 2011	October 22, 2012
Exercise price	$11.42	$11.42	$17.10	$26.50
Granted units (thousand)	30,828	7,224	1,500	3,500
Service period (from the grant date of the original stock options)	5 years (May 23, 2005~ November 11, 2014)	6~8 years (January 2, 2008~ November11, 2017)	5 years (November 24, 2011~ November 23, 2016)	5 years (October 22, 2012~ October 21, 2017)
Vesting period (from the grant date of the original stock options)	2 ~ 3 years	3 ~ 5 years	2 ~ 3 years	2 ~ 3 years

Note 1: Stock options under Plan 1 included those granted by Primax in May 2005, June and December 2006, and February and March 2007; those granted by Primax Holdings in January, May and November 2008; and those granted by the Company in November 2009.

Note 2: Stock options under Plan 2 included those granted by Primax Holdings in January and May 2008, and those granted by the Company in November 2009.

Note 3: Stock options under Plan 3 included those granted by the Company in November 2011 and October 2012.

The information on the outstanding employee stock options of Primax Holdings using the Black-Scholes option pricing model to measure the fair value at the grant date was as follows:

Period of stock options	Plan 1	Plan 2
Exercise price of Primax Holdings' stock options (USD)	0.20	0.20
Expected time until expiration (years)	2.37~5	6~8
Stock price per share of Primax Holdings (USD)	0.91677~1	0.91677~0.92827
Expected volatility of stock price	34.78%~44.59%	38.98%~48.44%
Expected cash dividend rate	-	-
Risk-free interest rate	2.439%~2.665	2.509%~2.538%

The Company applied the Black-Scholes option pricing model to measure the fair value of employee stock options granted in November 2009, 2011 and 2012. The information on share-based payment was as follows:

Period of stock options	Plan 1	Plan 2	Plan 3	
			Issued in November 2011	Issued in October 2012
Exercise price of stock options (NT dollars)	$11.42	$11.42	$18.2	$28.25
Expected time until expiration (years)	5	8	5	5
Stock price per share (NT dollars)	$16.50	$16.50	$26.02	$28.25
Expected volatility of stock price	45.18%	45.18%	29.12%	32.38%~34.61%
Expected cash dividend rate	-	-	6%	3.77%
Risk-free interest rate	2.26%	2.26%	1.81%	1.425%

(8) The incremental fair value resulting from the modification described in section (iv) above amounted to $55,308 (including the accrued retention bonus of $261,721). The measurement basis of share-based payment as of December 30, 2008 (the modification date) was as follows:

	Plan 1		Plan 2	
	Before the modification	After the modification	Before the modification	After the modification
Granted units of options	Primax Holdings 7,365	the Company 21,654	Primax Holdings 2,331	the Company 6,853

The information on the stock options using the Black-Scholes option pricing model to measure the incremental fair value at the modification date was as follows:

	Plan 1		Plan 2	
	Before the modification	After the modification	Before the modification	After the modification
Exercise price	USD0.20	NT$11.42 (dollars)	USD0.20	NT$11.42 (dollars)
Expected time until expiration (years)	0.39~3.89	0.39~3.89	3.51~5.85	3.51~5.85
Stock price per share	USD1.12	NT$11.42 (dollars)	USD1.12	NT$11.42 (dollars)
Expected volatility of stock price	33.56%~45.36%	33.56%~45.36%	39.30%~45.36%	39.30%~45.36%
Expected dividend rate	-	-	-	-
Risk-free interest rate	1.005%~1.5%	1.005%~1.5%	1.50%~1.95%	1.50%~1.95%

(9) The related information on compensatory employee stock option plans was as follows:

	2015		2014	
	Weighted-average exercise price	Stock options (in thousands)	Weighted-average exercise price	Stock options (in thousands)
Outstanding at January 1	22.66	3,724	18.74	7,552
Granted during the year	-	-	-	-
Forfeited during the year	25.66	(169)	16.40	(65)
Exercised during the year	18.67	(1,750)	13.72	(3,543)
Expired during the year	27.70	(77)	25.47	(220)
Outstanding at December 31	24.66	1,728	22.66	3,724
Exercisable at December 31	24.66	1,728	19.57	2,308

As of December 31, 2015 and 2014, the information on the employee stock option plans outstanding was as follows:

	December 31, 2015	December 31, 2014
Employee stock option plan 1	-	-
Employee stock option plan 2	211	1,032
Employee stock option plan 3–Issued in November 2011	-	200
Employee stock option plan 3–Issued in October 2012	1,517	2,492
Outstanding at end of year	1,728	3,724
Weighted-average expected time remaining until expiration (years)	1.82	2.37

(10) PCH2 issued stock appreciation rights of 915,810 units and 294,720 units to its employees in September and November 2009, respectively. The stock appreciation rights were measured by fair value and are a form of cash-settled share-based payment. The exercise price of each unit is NT$2.2 (dollars), and the holder will receive a bonus equal to the unit stock price, minus the exercise price, on the fourth day after the exercise day. The expected time until expiration is 4 and 5 years, respectively. The vesting period is 1~3 years, and a certain percentage of the stock appreciation rights can be exercised each year.

The outstanding stock appreciation rights of the PCH2 used the Black-Scholes option pricing model to measure the fair value. All the stock appreciation rights were vested in 2014. The related information on the stock appreciation rights plan of PCH2 was as follows:

	2014	
	Weighted-average exercise price	Stock options (in thousands)
Outstanding at January 1	2.20	45
Granted during the year	-	-
Forfeited during the year	-	-
Exercised during the year	2.20	(45)
Expired during the year	-	-
Outstanding at December 31	-	-
Exercisable at December 31	-	-

（11）TWEL issued employee stock options to its employees. As of December 31, 2015, the outstanding employee stock options of TWEL for equity-settled share-based payment were as follows:

	November 2014	July 2015
Grant date	November 18, 2014	July 1, 2015
Exercise price	$15.74	$18.82
Granted units (thousand)	700	2,750
Service period	5 years	5 years
Vesting period	3 ~4 years	3 ~5 years

The information on the outstanding stock appreciation rights of TWEL using the Black-Scholes option pricing model to measure the fair value was as follows:

	December 2014	July 2015
Exercise price	$ 15.74	$ 18.82
Expected time until expiration(years)	4~4.5	4~5
Stock price per share	$14.81	$18.23
Expected volatility of stock price	29.49%~30.14%	30.06%~30.45%
Expected dividend rate	-	-
Risk-free interest rate	1.09%~1.17%	0.96%~1.08%

The related information on the stock appreciation rights plan of TWEL was as follows:

	2015		2014	
	Weighted-average exercise price	Stock options (in thousands)	Weighted-average exercise price	Stock options (in thousands)
Outstanding at January 1	15.74	700	-	-
Granted during the year	18.82	2,750	15.74	700
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at December 31	18.20	3,450	15.74	700
Exercisable at December 31	-	-	-	-

2. Restricted stock

（1）As of December 31, 2015, the outstanding restricted stock of the Company was as follows:

	Plan 1 (note 1)				Plan 2 (note 1)	
Grant date	October 1, 2013	November 20, 2013	February 10, 2014	July 17, 2014	February 24, 2015	August 18, 2015
Fair value on grant date (per share)	22.8	25.15	27.30	52.00	43.70	38.40
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,450	186	135	220	1,225	1,775
Vesting period	1~3 years (notes 2 and 3)	1~2 years (notes 3 and 4)	1~2 years (notes 3 and 4)	1~2 years (note 3)	1~3years (note 2 and 3)	1~3 years (note 2)

Note 1: Plan 1 – After the stockholders' meeting on June 25, 2013, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,450 thousand shares, 186 thousand shares, 135 thousand shares, and 220 thousand shares on August 13 and November 12, 2013, and January 22 and June 27, 2014, respectively.

Plan 2 – After the stockholders' meeting on June 24, 2014, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,225 thousand shares and 1,775 thousand shares on January 28 and August 13, 2015, respectively.

Note 2: If the employees continue to provide service to the Company and meet the prior year's performance indicator, 30% of the restricted stock shall be vested in year 1 after the grant date, and the remaining 30% and 40% shall be vested in year 2 and year 3, respectively, after the grant date.

Note 3: If the employees continue to provide service to the Company and meet the prior year's performance indicator, 50% of the restricted stock shall be vested in year 1 after the grant date, and the remaining 50% shall be vested in year 2 after the grant date.

Note 4: If the employees continue to provide service to the Company and meet the prior year's performance indicator, the restricted stock shall be vested in year 1 after the grant date.

The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or, by any other means, disposed of to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Company will cancel the unvested shares thereafter.

（2）The related information on restricted stock of the Company for 2015 and 2014 was as follows:

(Thousand shares)	2015	2014
Outstanding at January 1	1,310	1,636
Granted during the year	3,000	355
Forfeited during the year	-	-
Vesting during the year	(660)	(361)
Expired during the year	(380)	(320)
Outstanding at December 31	3,270	1,310

3. Expenses and liabilities attributable to share-based payment for 2015 and 2014 were as follows:

	2015	2014
Expenses attributable to employee stock options	$ 4,740	9,223
Restricted stock	46,477	21,751
Total	$ 51,217	30,974
Salary payable:		
Current	$ 4,092	11,844

（r）Earnings per share

1. Basic earnings per share

The calculation of basic earnings per share of years 2015 and 2014, based on the profit attributable to ordinary stockholders of the Company and the weighted-average number of common shares outstanding was as follows:

	2015	2014
Profit attributable to common stockholders	$ 1,773,122	1,544,690
Weighted-average number of common shares (thousand shares)	436,372	432,362
Basic earnings per share (NT dollars)	$ 4.06	3.57

Weighted-average number of common shares (thousand shares)

	2015	2014
Ordinary shares at January 1	433,348	431,937
Exercise of employee stock options	2,818	353
Vesting of restricted stock	206	72
Ordinary shares at December 31	436,372	432,362

2. Diluted earnings per share

The calculation of diluted earnings per share of years 2015 and 2014, based on the profit attributable to common stockholders of the Company and the weighted-average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares was as follows:

	2015	2014
Profit attributable to ordinary stockholders	$ 1,773,122	1,544,690
Weighted-average number of common shares (diluted / thousand shares)	441,810	438,990
Diluted earnings per share (NT dollars)	$ 4.01	3.52

	2015	2014
Weighted-average number of ordinary shares at December 31 (basic)	436,372	432,362
Effect of employee stock options	1,707	3,621
Effect of employee stock bonuses	2,769	2,199
Effect of restricted stock	962	808
Weighted-average number of ordinary shares at December 31 (diluted)	441,810	438,990

(s) Operating revenue

The operating revenue in the years ended December 31, 2015 and 2014, was as follows:

	2015	2014
Goods sold	$ 63,644,990	50,985,241
Services rendered	1,944,303	1,254,536
	$ 65,589,293	52,239,777

(t) Employee bonuses, and directors' and supervisors remuneration

Employee bonuses amounted to $78,269 for 2015. Directors' and supervisors' remuneration amounted to $31,907 for 2015. These amounts were calculated based on the Company's income before income taxes excluding employee bonuses and directors' and supervisors' remuneration by using the earnings allocation method as stated under the Company's articles. These benefits were expensed under operating costs or operating expenses during 2015. The differences between the amounts approved in the stockholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

The information about the employee bonuses and the directors' and supervisors' remuneration approved in the board of directors' and stockholders' meetings can be accessed in the Market Observation Post System.

(u) Other income

The other income in the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Interest revenue of cash in banks	$ 161,713	275,451
Rent revenue	14,116	11,939
Other	2,995	3,075
	$ 178,824	290,465

(v) Other gains and losses

The other gains and losses in the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Impairment losses on property, plant and equipment	$ -	(33,178)
Net gains (losses) on disposal of property, plant and equipment	(31,757)	15,870
Net gains on financial assets/liabilities measured at fair value through profit or loss	27,749	15,695
Foreign currency exchange gains, net	354,082	56,143
Other	(67,679)	95,793
	$ 282,395	150,323

(w) Finance costs

The finance costs in the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Interest expense and finance costs of derivative financial instruments	$ 160,220	222,949

(x) Financial instruments

1. Credit risk

The aging analysis of notes, accounts, and other receivables (including related parties) that were past due but not impaired was as follows:

	December 31, 2015	December 31, 2014
Past due 0-30 days	$ 1,215,010	925,204
Past due 31-90 days	122,456	267,594
Past due 91-180 days	14,149	46,069
Past due 181-360 days	26,023	-
Past due over a year	-	-
	$ 1,377,638	1,238,867

The Group assesses the uncollectible amount of notes, accounts, and other receivables (including related parties) based on the aging analysis, the collection history, and the customers' current financial status, and recognizes an allowance for doubtful debts accordingly. After the Group's assessment, there is no significant change in the customers' credit quality and the collectability of related receivables.

The changes in the allowance for 2015 and 2014 were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2015	$ -	26,034	26,034
Impairment loss recognized	-	4,194	4,194
Acqusition from business combination	-	469	469
Amounts written off	-	(2,217)	(2,217)
Exchange differences on translation of foreign currency	-	767	767
Balance on December 31, 2015	$ -	29,247	29,247

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2014	$ -	20,059	20,059
Impairment loss recognized	-	2,835	2,835
Acqusition from business combination	-	1,156	1,156
Amounts written off	-	-	-
Exchange differences on translation of foreign currency	-	1,984	1,984
Balance on December 31, 2014	$ -	26,034	26,034

2. Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
December 31, 2015							
Non-derivative financial liabilities:							
Short-term borrowings	$ 1,350,569	1,350,569	1,350,569	-	-	-	-
Notes and accounts payable	18,723,930	18,723,930	18,723,930	-	-	-	-
Other payables	2,737,288	2,737,288	2,737,288	-	-	-	-
Long-term borrowings	1,677,487	1,735,887	338,378	332,881	641,587	326,777	96,264
Guarantee deposits	118,641	118,641	-	-	-	-	118,641
Derivative financial liabilities:	60,105	-	-	-	-	-	-
Outflow	-	1,217,415	1,217,415	-	-	-	-
Inflow	-	(1,157,310)	(1,157,310)	-	-	-	-
	$ 24,668,020	24,726,420	23,210,270	332,881	641,587	326,777	214,905
December 31, 2014							
Non-derivative financial liabilities:							
Short-term borrowings	$ 2,148,800	2,148,800	2,148,800	-	-	-	-
Notes and accounts payable	12,613,211	12,613,211	12,613,211	-	-	-	-
Other payables	1,758,516	1,758,516	1,758,516	-	-	-	-
Long-term borrowings	1,500,000	1,528,286	309,315	307,576	611,302	300,093	-
Guarantee deposits	161,894	161,894	-	-	-	-	161,894
Derivative financial liabilities:	80,590	-	-	-	-	-	-
Outflow	-	6,376,549	6,376,549	-	-	-	-
Inflow	-	(6,295,665)	(6,295,665)	-	-	-	-
	$ 18,263,011	18,291,591	16,910,726	307,576	611,302	300,093	161,894

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

3. Currency risk

(1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2015			December 31, 2014		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD:CNY	$ 472,140	6.4936	15,611,768	352,238	6.119	11,130,719
USD:HKD	403,487	7.751	13,341,701	254,680	7.7567	8,047,888
USD:TWD	430,293	33.066	14,228,077	384,829	31.6	12,160,595
Financial liabilities						
Monetary items						
USD:CNY	434,501	6.4936	14,367,209	317,923	6.119	10,046,373
USD:HKD	395,385	7.751	13,073,812	243,177	7.7567	7,684,400
USD:TWD	397,940	33.066	13,158,292	345,688	31.6	10,923,734

(2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, derivative financial instruments, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency.

A weakening (strengthening) of 5% of the TWD, CNY and HKD against the USD as of December 31, 2015 and 2014, would have increased or decreased the net profit after tax by $107,163 and $134,561, respectively. The analysis is performed on the same basis for both periods.

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. In 2015 and 2014, the foreign exchange gain or loss, including both realized and unrealized, amounted to $354,082 and $56,143, respectively.

4. Interest rate analysis

Please refer to note 6(y) for the exposure of financial assets and liabilities to changes in interest rates.

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. The analysis is based on the assumption that the assets and liabilities with floating interest rates outstanding at the reporting date were outstanding throughout the year. The rate of change is an interest rate increase or decrease of 0.25% when reporting to management internally, which also represents the assessment of the Group's management for the reasonably possible changes in interest rates.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by $3,427 and increased or decreased by $1,180 for the years ended December 31, 2015 and 2014, respectively, mainly as a result of bank savings and borrowings with variable interest rates.

5. Fair value

(1) Kinds of financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information on financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and on investments in equity instruments which do not have any quoted price in an active market.

	December 31, 2015				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss – current	$ 88,717	969	-	87,748	88,717
Available-for-sale financial assets – non-current	$ 584,430	551,600	-	32,830	584,430
Loans and receivables					
Cash and cash equivalents	$ 7,623,380				
Notes and accounts receivable (including related parties)	14,479,617				
Other receivables	462,242				
Total	$ 22,565,239				
Financial liabilities at fair value through profit or loss – current	$ 60,105	-	-	60,105	60,105
Financial liabilities carried at amortized cost					
Borrowings	$ 3,028,056				
Notes and accounts payable	18,723,930				
Salary payable	1,227,107				
Other payables	3,891,786				
Guarantee deposits received	118,641				
Total	$ 26,989,520				

		December 31, 2014				
			Fair Value			
		Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit orloss – current	$	**96,285**	**-**	**-**	**96,285**	**96,285**
Available-for-sale financial assets – non-current	$	**292,916**	**-**	**-**	**292,916**	**292,916**
Loans and receivables						
Cash and cash equivalents	$	6,814,023				
Notes and accounts receivable (including related parties)		10,513,729				
Other receivables		370,254				
Total	$	17,698,006				
Financial liabilities at fair value through profit orloss – current	$	**80,590**	**-**	**-**	**80,590**	**80,590**
Financial liabilities carried at amortized cost						
Borrowings	$	3,648,800				
Notes and accounts payable		12,613,211				
Salary payable		1,055,208				
Other payables		2,628,533				
Guarantee deposits received		161,894				
Total	$	20,107,646				

（2）Fair value valuation techniques for financial instruments measured at fair value

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quoted price of a financial instrument obtained from major exchanges and over-the counter markets are the basis used to determine the fair value of a listed company's stock and the quoted prices in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If these conditions can not be reached, then the market is non-active. In general, a market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The Group uses the following methods in determining the fair value of its financial instruments without a quoted price in an active market:

※A. The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.

※B. Available-for-sale financial assets – non-current are investments in domestic or foreign non-listed stock. The fair value is based on a valuation technique. For stocks in the emerging market, the estimated fair value is adjusted for the lack of liquidity. When prices listed in the emerging market are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.

（3）Tranfers between Level 1 and 3

The fair value of shares of Nien Made Enterprise Co., Ltd. amounted to $551,600 and $245,600 as of December 31, 2015 and 2014, respectively. On December 31, 2014, the shares of Nien Made Enterprise Co., Ltd. were classified to Level 3 because there was no quoted price for the shares and the fair value of the shares was estimated on the basis of significant unobservable inputs. The shares of Nien Made Enterprise Co., Ltd. have been listed on the TWSE since December 2015 and have quoted prices. Thus, the fair value measurement transferred from Level 3 to Level 1 on December 31, 2015.

（4）Changes in Level 3

		2015			2014		
		Fair value through profit or loss	Available for sale	Total	Fair value through profit or loss	Available for sale	Total
Balance on January 1	$	15,695	292,916	308,611	(3,126)	54,883	51,757
Recognized in profit or loss		27,643	(939)	26,704	15,695	(3,896)	11,799
Recognized in other comprehensive income		-	294,053	294,053	-	945	945
Transfer from Level 3 to Level 1		-	(551,600)	(551,600)	-	-	-
Acquisition / disposal		(15,695)	(1,600)	(17,295)	3,126	240,984	244,110
Balance on December 31		27,643	32,830	60,473	15,695	292,916	308,611

（5）Fair value measurements using significant unobservable inputs (Level 3)

The fair value measurements of the Group which are categorized within level 3 are classified as financial assets and liabilities at fair value through profit or loss – derivative financial instruments and available-for-sale financial assets – equity securities. The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Available-for-sale financial assets – equity securities not listed on emerging stock market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at fair value through profit or loss	(note 2)	(note 2)	(note 2)

note 1: The fair value is based on unadjusted prior trade prices, therefore there is no need to show the sensitivity analysis of unobservable inputs.

note 2: The fair value is based on the quotation of a third party, therefore there is no need to show the sensitivity analysis of unobservable inputs.

（y）Financial risk management

1. Briefings

The Group is exposed to the following risks arising from financial instruments:

（1）Credit risk

（2）Liquidity risk

（3）Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

2. Structure of risk management

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's board of directors oversees the management's monitoring of the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

3. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents; notes, accounts, and other receivables; and derivative instruments.

(1) Cash and cash equivalents

The Group had deposited $7,104,404 (including restricted deposits) in the Postal Savings Bank of China and 8 other financial institutions, and $6,409,008 (including restricted deposits) in Huaxia Bank and 8 other financial institutions, representing 17% and 21% of total assets, as of December 31, 2015 and 2014, respectively. The Group believes that there is no significant credit risk from the above-mentioned financial institutions.

(2) Notes and accounts receivable

Sales to individual customers constituting over 10% of total revenue for the years ended December 31, 2015 and 2014, totaled 21% and 17%, respectively. As of December 31, 2015 and 2014, 12% and 13%, respectively, of the ending balance of notes and accounts receivable were accounted for by those customers. In order to reduce credit risk, the Group assesses the financial status of the customers and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record, and the Group did not suffer any significant credit loss from those customers during the financial reporting period.

(3) Derivative instruments

The Group entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Group believes that the risk that these financial institutions may default on these contracts is relatively low and anticipates no significant credit loss.

4. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group had unused bank facilities of $10,957,088 and $8,163,739 as of December 31, 2015 and 2014, respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (TWD), US Dollar (USD), HK Dollar (HKD), and Chinese Yuan (CNY). These transactions are denominated in USD.

The Group uses forward exchange contracts and foreign exchange swap contracts to hedge its currency risk. The Group makes performance reports and reviews operating strategy regularly, and believes that there is no significant risk because the gains or losses from exchange rate fluctuation will mostly be offset by the hedged item.

(2) Interest rate risk

The Group's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Group believes that cash flow risk arising from interest rate fluctuation is insignificant.

(z) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, other equity, and non-controlling interests.

The Group sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The Group's debt ratio as of December 31, 2015 and 2014, was 69% and 67%, respectively.

(7) Related-party Transactions

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Group and its subsidiaries.

(b) Other related-party transactions

1. Sale of goods to related parties

The amounts of significant sales by the Group to related parties and the outstanding balances were as follows:

	Sales		Notes and accounts receivable	
	2015	2014	December 31, 2015	December 31, 2014
Other related parties	$ 153,394	151,524	54,995	60,581

There were no significant differences in the selling prices and trading terms between the related parties and other customers.

2. Purchase of service

The amounts of purchase of service by the Group from its related parties and the outstanding balances were as follows:

	Purchase of service		Other payables	
	2015	2014	December 31, 2015	December 31, 2014
Other related parties	$ -	20,165	-	-

Other related parties provided marketing consulting to the Group. There were no significant differences in the terms of such purchase transactions between related parties and other vendors.

3. Loans from related parties

The outstanding balance of loans to the Group from its related parties was as follows:

	December 30, 2015
Key management personnel of Global TEK	$ 63,994

The highest outstanding balance amounted to $125,344 in 2015.

(c) Key management personnel compensation

	2015	2014
Short-term employee benefits	$ 174,528	134,030
Post-employment benefits	1,233	755
Termination benefits	-	3,748
Other long-term benefits	-	-
Share-based payments	15,124	7,690
	$ 190,885	146,223

For information related to share-based payments, please refer to note 6(q).

(8) Pledged Assets

As of December 31, 2015 and 2014, assets pledged as collateral were as follows:

Pledged assets	Pledged to secure	Book value of pledged assets December 31, 2015	Book value of pledged assets December 31, 2014
Other current assets – restricted assets	Guarantee letters issued by bank	$ 4,502	-
Other non-current assets – restricted assets	Loan collateral and guarantee letters issued by bank	$ 4,667	36,568
Property, plant and equipment	Loan collateral	$ 699,107	-
Long-term prepaid rent	Loan collateral	$ 99,832	-

(9) Commitments and Contingencies

(a) The Group's unused letters of credit were as follows:

	December 31, 2015	December 31, 2014
	$ -	12,562

(b) The amounts of guarantee were as follows:

Guarantor	Guarantee	December 31, 2015	December 31, 2014
The Company	PCH2	$ 384,227	51,192
The Company	TYM HK	-	1,106,000
PCH2	PCQ1	231,462	221,200
PCH2	PKS1	99,198	94,800
Global TEK	GT	30,000	-
GT	Global TEK	50,000	-
GT	GLOBAL TEK CO (WUXI)., LTD	49,599	-
		$ 844,486	1,473,192

(c) The following are savings accounts provided by the Group to the bank in order for the bank to issue a guarantee letter to customs as guarantee deposits. Please refer to note 8.

	December 31, 2015	December 31, 2014
Guarantee letters	$ 39,912	101,632

(d) Guarantee notes provided as part of agreements with banks to sell accounts receivables, to acquire long-term borrowings, and to purchase materials were as follows:

	December 31, 2015	December 31, 2014
Sales of accounts receivable	$ 2,874,690	2,891,000
Long-term borrowings	2,598,906	5,404,000
Purchase of material	$ 39,732	-

(e) The aggregate unpaid amounts of contracts pertaining to the purchase of equipment were as follows:

	December 31, 2015	December 31, 2014
Property, plant and equipment	$ 66,482	26,086

(f) TWEL Group entered into patent license agreements with several companies in July 2015. According to the agreements, TWEL Group shall pay $69,670 in the future.

(10) Loss Due to Major Disasters: None

(11) Subsequent Events: None.

(12) Others

The following is a summary statement of current-period employee benefit, depreciation, and amortization expenses by function:

By function / By item	2015 Operating cost	2015 Operating expenses	2015 Total	2014 Operating cost	2014 Operating expenses	2014 Total
Employee benefit expenses						
Salaries	4,423,628	2,566,212	6,989,840	3,353,137	2,069,059	5,422,196
Labor and health insurance	124,309	109,451	233,760	76,168	90,391	166,559
Pension	306,572	107,144	413,716	196,231	77,922	274,153
Others	93,819	156,395	250,214	77,710	114,637	192,347
Depreciation	1,133,208	139,434	1,272,642	890,526	124,128	1,014,654
Amortization	14,167	182,846	197,013	18,602	156,069	174,671

(13) Segment Information

(a) General information

The Group's reported segments are the divisions for computer peripherals and non-computer peripherals. The division for computer peripherals specializes in the manufacture and sale of computer mice, keyboards, track pads, etc. The division for non-computer peripherals specializes in the manufacture and sale of digital camera modules, mobile phone accessories, multi-function printers, scanners, shredders, amplifiers, speakers, audio systems, automotive parts, industrial automation parts, aerospace components, etc.

The Group's reported segments consist of strategic business units which provide essentially different products and services. These units have to be separately managed as a result of the different technology and marketing strategies. Most of the business units were acquired, and the original management teams are still operating.

(b) Reportable segments' profit or loss, segment assets, segment liabilities, and their measurement and reconciliation

Income tax and extraordinary profits and losses are not allocated to the Group's reportable segments, and the amounts for the reported segments are identical with those in the report used by the chief operating decision maker.

The Group assessed the performance of the segments based on the segments' income before income taxes (excluding extraordinary profit and loss), and the accounting policies of the operating segments are the same as those described in note 4. Sales and transfers between segments are deemed to be transactions with third parties and are measured by using the market price.

For the years ended December 31, 2015 and 2014, the Group's segment financial information was as follows:

		For the year ended December 31, 2015		
		Computer Peripherals	Non-computer Peripherals	Total
External revenue	$	30,586,105	35,003,188	65,589,293
Intra-group revenue		-	-	-
Total segment revenue	$	30,586,105	35,003,188	65,589,293
Segment profit	$	**1,691,877**	**781,076**	**2,472,953**

		For the year ended December 31, 2014		
		Computer Peripherals	Non-computer Peripherals	Total
External revenue	$	24,160,676	28,079,101	52,239,777
Intra-group revenue		-	-	-
Total segment revenue	$	24,160,676	28,079,101	52,239,777
Segment profit	$	**1,324,122**	**723,459**	**2,047,581**

（c）Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets. Details were as follows:

Geographic Information		2015	2014
Revenues from external customers:			
China	$	39,090,793	31,083,837
Americas		11,897,187	7,847,174
Other		14,601,313	13,308,766
	$	**65,589,293**	**52,239,777**
Non-current assets:			
China	$	5,825,906	4,100,625
Taiwan		1,624,591	370,797
Other		2,806,056	2,934,953
	$	**10,256,553**	**7,406,375**

（d）Major customer information

The information on major customers that accounted for more than 10% of revenue in the consolidated statements of comprehensive income in 2015 and 2014 is as follows:

		2015		2014	
		Net sales	Percentage of net sales	Net sales	Percentage of net sales
Company A	$	**13,605,216**	**21%**	**8,995,458**	**17%**

5. The 2015 Proprietary financial statements and notes had been audited by the CPAs.

安侯建業聯合會計師事務所
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Independent Auditors' Report

The Board of Directors
Primax Electronics Ltd. :

We have audited the accompanying balance sheets of Primax Electronics Ltd. as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in stockholders' equity, and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain investees accounted for under the equity method. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to that investment, is based solely on the reports of the other auditors. The Company's investment in these companies amounted to $1,216,301 and $2,702,548 thousand, constituting 4% and 12% of the total assets, as of December 31, 2015 and 2014, respectively. The related share of profit of associates accounted for using the equity method amounted to $166,222 and $149,981 thousand, constituting 9% of the net profit before tax, for the years ended December 31, 2015 and 2014, respectively.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the accompanying financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Primax Electronics Ltd. as of December 31, 2015 and 2014, and the results of its operations and cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

KPMG

March 24, 2016

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

PRIMAX ELECTRONICS LTD.
Balance Sheets
December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars)

Assets		December 31, 2015 Amount	%	December 31, 2014 Amount	%
Current assets:					
Cash and cash equivalents (note 6(a))	$	2,267,560	8	3,001,879	13
Financial assets at fair value through profit or loss – current (note 6(b))		79,052	-	21,165	-
Accounts receivable (note 6(d))		9,321,764	34	7,580,133	34
Accounts receivable – related parties (notes 6(d) and 7)		2,052,505	8	1,102,500	5
Other receivables (notes 6(d) and 7)		28,841	-	9,664	-
Inventories, net (note 6(e))		2,551,571	9	1,458,489	7
Other current assets		28,453	-	23,765	-
		16,329,746	59	13,197,595	59
Non-current assets:					
Available-for-sale financial assets – non-current (note 6(c))		567,897	2	275,536	2
Investments accounted for using equity method (note 6(f))		10,088,961	37	8,596,698	38
Property, plant and equipment (note 6(g))		65,554	-	61,287	-
Investment property, net (note 6(h))		258,709	1	262,269	1
Intangible assets (note 6(i))		29,514	-	37,997	-
Deferred tax assets (note 6(n))		293,519	1	64,021	-
Other non-current assets		62,016	-	57,635	-
		11,366,170	41	9,355,443	41
Total assets	$	27,695,916	100	22,553,038	100

Liabilities and equity		December 31, 2015 Amount	%	December 31, 2014 Amount	%
Current liabilities:					
Short-term borrowings (note 6(j))	$	1,120,518	4	2,148,800	9
Notes and accounts payable		264	-	7,493	-
Accounts payable – related parties (note 7)		11,340,202	41	8,026,918	36
Financial liabilities at fair value through profit or loss – current (note 6(b))		52,765	-	22,902	-
Other payables (note 7)		1,583,478	6	902,386	4
Salary payable (note 6(p))		411,680	1	387,912	2
Other current liabilities		147,176	1	60,855	-
Current portion of long-term borrowings (note 6(k))		548,889	2	600,000	3
		15,204,972	55	12,157,266	54
Non-current liabilities:					
Long-term borrowings (note 6(k))		767,778	3	900,000	4
Long-term deferred revenue (note 6(g))		1,018,732	3	63,143	-
Other non-current liabilities (notes 6(m) and (n))		274,053	1	282,116	1
		2,060,563	7	1,245,259	5
Total liabilities		17,265,535	62	13,402,525	59
Common stock (note 6(o))		4,411,877	16	4,346,578	19
Capital collected in advance (note 6(o))		15,174	-	38,903	-
Capital surplus (note 6(o))		777,368	3	673,543	3
Legal reserve (note 6(o))		611,322	2	456,853	2
Special reserve (note 6(o))		97,300	-	97,300	1
Unappropriated retained earnings (note 6(o))		3,951,934	15	3,132,488	14
Other equity		565,406	2	404,848	2
Total equity		10,430,381	38	9,150,513	41
Total liabilities and equity		27,695,916	100	22,553,038	100

See accompanying notes to financial statements.

PRIMAX ELECTRONICS LTD.
Statements of Comprehensive Income
For the years ended December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars, except earnings per share)

		2015 Amount	%	2014 Amount	%
Operating revenue (notes 6(r) and 7)	$	51,638,181	100	42,356,385	100
Operating cost (notes 6(e), (m), (o), (p), and (s), 7 and 12)		48,703,633	94	39,690,606	94
Gross profit		2,934,548	6	2,665,779	6
Operating expenses (notes 6(m), (o), (p), and (s), 7 and 12):					
Selling expenses		610,013	1	643,337	1
Administrative expenses		414,570	1	388,961	1
Research and development expenses		983,295	2	880,132	2
		2,007,878	4	1,912,430	4
Net operating income		926,670	2	753,349	2
Non-operating income and expenses:					
Other income (note 6(t))		22,053	-	27,467	-
Other gains and losses (notes 6(c) and (u))		283,488	-	120,397	-
Share of profit of subsidiaries accounted for using equity method		755,092	1	949,194	2
Finance costs (note 6(v))		(53,380)	-	(217,073)	-
		1,007,253	1	879,985	2
Income before income taxes		1,933,923	3	1,633,334	4
Income tax expense (note 6(n))		160,801	-	88,644	-
Net income		1,773,122	3	1,544,690	4
Other comprehensive income (loss):					
Items that may not be reclassified subsequently to profit or loss:					
Actuarial gains on defined benefit plans		(8,100)	-	3,344	-
		(8,100)	-	3,344	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operation's financial statements		(71,337)	-	322,245	-
Unrealized gains and (losses) on available-for-sale financial assets (note 6(c))		294,053	-	945	-
		222,716	-	323,190	-
Other comprehensive income (after tax)		214,616	-	326,534	-
Comprehensive income		1,987,738	3	1,871,224	4
Earnings per share (note 6(q)):					
Basic earnings per share (NT dollars)	$	4.06		3.57	
Diluted earnings per share (NT dollars)	$	4.01		3.52	

See accompanying notes to financial statements.

PRIMAX ELECTRONICS LTD.
Statements of Changes in Equity
For the years ended December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars)

	Capital			Retained earnings						
	Common stock	Capital collected in advance	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign operation's financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unearned employee compensation	Total equity
Balance on January 1, 2014	$ 4,335,733	3,796	648,747	389,998	138,192	1,957,522	100,137	(238)	(32,320)	7,541,567
Net income in 2014	-	-	-	-	-	1,544,690	-	-	-	1,544,690
Other comprehensive income in 2014	-	-	-	-	-	3,344	322,245	945	-	326,534
Comprehensive income in 2014	-	-	-	-	-	1,548,034	322,245	945	-	1,871,224
Appropriation and distribution of retained earnings (note 1):										
Legal reserve	-	-	-	66,855	-	(66,855)	-	-	-	-
Special reserve	-	-	-	-	(40,892)	40,892	-	-	-	-
Cash dividends	-	-	-	-	-	(347,105)	-	-	-	(347,105)
Issuance of restricted stock	3,550	-	11,576	-	-	-	-	-	(15,126)	-
Retirement of restricted stock	(3,200)	-	(4,254)	-	-	-	-	-	7,454	-
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	21,751	21,751
Compensation cost of share-based payment	-	-	14,487	-	-	-	-	-	-	14,487
Exercise of employee stock options	-	48,589	-	-	-	-	-	-	-	48,589
Issuance of common stock for employee stock options and abandonment	10,495	(13,482)	2,987	-	-	-	-	-	-	-
Balance on December 31, 2014	4,346,578	38,903	673,543	456,853	97,300	3,132,488	422,382	707	(18,241)	9,150,513
Net income in 2015	-	-	-	-	-	1,773,122	-	-	-	1,773,122
Other comprehensive income in 2015	-	-	-	-	-	(8,100)	(71,337)	294,053	-	214,616
Comprehensive income in 2015	-	-	-	-	-	1,765,022	(71,337)	294,053	-	1,987,738
Appropriation and distribution of retained earnings (note 2):										
Legal reserve	-	-	-	154,469	-	(154,469)	-	-	-	-
Cash dividends	-	-	-	-	-	(791,107)	-	-	-	(791,107)
Issuance of restricted stock	30,000	-	91,693	-	-	-	-	-	(121,693)	-
Retirement of restricted stock	(2,800)	-	(10,258)	-	-	-	-	-	13,058	-
Amortization expense of restricted stock	-	-	-	-	-	-	-	-	46,477	46,477
Compensation cost of share-based payment	-	-	4,087	-	-	-	-	-	-	4,087
Exercise of employee share options	-	32,673	-	-	-	-	-	-	-	32,673
Issuance of common stock for employee stock options and abandonment	38,099	(56,402)	18,303	-	-	-	-	-	-	-
Balance on December 31, 2015	$ 4,411,877	15,174	777,368	611,322	97,300	3,951,934	351,045	294,760	(80,399)	10,430,381

Note 1: Directors' and supervisors' remuneration of $12,000 and employee bonuses of $32,000 have been deducted from the statement of comprehensive income for 2014.

Note 2: Directors' and supervisors' remuneration of $27,800 and employee bonuses of $71,000 have been deducted from the statement of comprehensive income for 2015.

See accompanying notes to financial statements.

PRIMAX ELECTRONICS LTD.
Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars)

	2015	2014
Cash flows from operating activities:		
Income before income taxes	$ 1,933,923	1,633,334
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization	36,999	41,404
Losses related to inventories	175,361	63,376
Amortization of deferred granted revenue	(121,262)	-
Provision (reversal of provision) for bad debt allowance and sales returns and allowances	(4,603)	23,746
Interest expenses	53,380	60,684
Interest income	(13,235)	(17,500)
Compensation cost of share-based payment	49,041	30,274
Share of profit of subsidiaries accounted for using equity method	(755,092)	(949,194)
Loss (gain) on disposal of property, plant and equipment	269	(921)
Gain on disposal of financial assets	-	(4,134)
Impairment loss on financial assets	939	3,500
	(578,203)	(748,765)
Changes in operating assets and liabilities:		
Accounts receivable (including related parties)	(2,686,191)	(1,746,140)
Other receivables	(19,177)	40,551
Inventories	(1,268,443)	265,840
Other current assets	(4,688)	17,019
Deferred tax assets	(229,498)	(4,071)
Other	(58,729)	12,849
Changes in operating assets	(4,266,726)	(1,413,952)
Notes and accounts payable (including related parties)	3,306,055	1,978,977
Salary payable	23,768	175,018
Other payables	679,328	101,680
Other current liabilities	86,321	2,084
Other	51,366	29,720
Changes in operating liabilities	4,146,838	2,287,479
Changes in operating assets and liabilities	(119,888)	873,527
Adjustments	(698,091)	124,762
Cash flows from operations	1,235,832	1,758,096
Interest received	13,235	17,500
Interest paid	(53,265)	(60,621)
Income taxes paid	(159,152)	(263,049)
Net cash flows provided by operating activities	1,036,650	1,451,926
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	-	(245,600)
Refund from capital reduction of available-for-sale financial assets	1,600	4,616
Acquisition of investments accounted for using equity method	(808,020)	(2,578,698)
Acquisition of property, plant and equipment	(23,292)	(12,623)
Proceeds from disposal of property, plant and equipment	-	2,126
Acquisition of long-term deferred revenue	1,076,851	63,143
Acquisition of other deferred assets	(9,862)	(5,337)
Decrease (increase) in refundable deposits	(684)	1,531
Other	(35)	(35)
Net cash flows provided by (used in) investing activities	236,558	(2,770,877)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(1,028,282)	1,489,900
Increase (decrease) in long-term borrowings	(183,333)	1,500,000
Increase (decrease) in guarantee deposits	(37,478)	42,775
Cash dividends	(791,107)	(347,105)
Exercise of employee stock options	32,673	48,589
Net cash flows provided by (used in) financing activities	(2,007,527)	2,734,159
Net increase (decrease) in cash and cash equivalents	(734,319)	1,415,208
Cash and cash equivalents at beginning of year	3,001,879	1,586,671
Cash and cash equivalents at end of year	$ 2,267,560	3,001,879

See accompanying notes to financial statements.

PRIMAX ELECTRONICS LTD.
Notes to Financial Statements
December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars unless otherwise specified)

(1) Organization

Primax Electronics Ltd. ("the Company"), formerly known as Hong Chuan Investments Ltd., was incorporated on March 20, 2006, and registered under the Ministry of Economic Affairs, ROC. The Company changed its name to Hong Chuan Electronics Ltd. and Primax Electronics Ltd. in October 2007 and February 2008, respectively. The address of the Company's registered office is No. 669, Ruey Kuang Road, Neihu, Taipei.

Primax Electronics Holdings, Ltd. (Primax Holdings, formerly known as Apple Holdings Ltd.) acquired all shares of the Company from YWAN PANG Management Limited on April 2, 2007. The investment was approved by the Investment Commission, Ministry of Economic Affairs. However, all shares of the Company were sold by Primax Holdings to its stockholders in October 2009.

Based on the resolution approved by the Company's board of directors on November 5, 2007, the Company resolved to acquire and merge with Primax Electronics Ltd. ("Primax", a listed company) on December 28, 2007. The Company is the surviving company, and Primax was dissolved upon completion of the merger.

The major business activities of the Company were the manufacture and sale of multi-function printers, scanners, digital camera modules, computer mice, keyboards, track pads, mobile phone accessories, consumer electronics products and shredders.

The Company's common shares were registered with the Financial Supervisory Commission, ROC ("FSC") on June 22, 2012, and listed on the Taiwan Stock Exchange ("TWSE") on October 5, 2012.

(2) Financial Statements Authorization Date and Authorization Process

The financial statements were authorized for issuance by the board of directors on March 24, 2016.

(3) New Standards and Interpretations Not Yet Adopted

(a) Impact of the 2013 version of the International Financial Reporting Standards ("2013 Version of IFRSs") endorsed by the FSC

The Company has adopted the 2013 Version of IFRSs (excluding IFRS 9 "Financial Instruments") endorsed by the FSC in preparing the financial statements. The new standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") are as follows:

New standards, amendments and interpretations	Effective date per IASB
Amended IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amended IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amended IFRS 1 "Government Loans"	January 1, 2013
Amended IFRS 7 "Disclosure – Transfers of Financial Assets"	July 1, 2011
Amended IFRS 7 "Disclosure – Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS 10 "Consolidated Financial Statements"	January 1, 2013 (with January 1, 2014, as the effective date for investment entities)
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amended IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amended IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
Amended IAS 19 "Employee Benefits"	January 1, 2013
Amended IAS 27 "Separate Financial Statements"	January 1, 2013
Amended IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

The Company assessed that the 2013 Version of IFRSs may not have any significant impact on the financial statements except for the following:

1. IAS 1 "Presentation of Financial Statements"

The amendment requires entities to separate the items presented in other comprehensive income into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax, then the tax related to each of the two groups of other comprehensive income items (those that might be reclassified and those that will not be reclassified) must be shown separately. The Company has changed the presentation of the statements of comprehensive income to conform with the amendment, and the information for 2014 has been restated accordingly.

2. IFRS 13 "Fair Value Measurement"

The standard changes the definition of fair value, provides a framework for measuring fair value, and requires disclosures on fair value measurement. The Company increases the disclosures relating to fair value measurement in accordance with the standard. According to the transitional provisions of the standard, the Company has applied the fair value measurement of the new standard since 2015. The Company has not increased the disclosures for 2014. Although the Company has applied the fair value measurement of the new standard since 2015, the Company assessed that the adoption of IFRS 13 did not have significant impact on its financial position and results of operation.

(b) New standards, amendments and interpretations not yet endorsed by the FSC

A summary of the 2013 Version of IFRSs issued by the IASB but not yet endorsed by the FSC is as follows:

New standards, amendments and interpretations	Effective date per IASB
IFRS 9 " Financial Instruments"	January 1, 2018
Amended IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture"	Not yet approved by IASB
Amended IFRS 10, IFRS 12 and IFRS 28 "The application of the investment entities exceptions"	January 1, 2016
Amended IFRS 11 "Accounting for acquisition 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
Amended IAS 1"Disclosure Initiative"	January 1, 2016
Amended IAS 7 "Disclosure Initiative"	January 1, 2017
Amended IAS 12 "Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amended IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortization"	January 1, 2016
Amended IAS 16 and IAS 41 "Agriculture: bearer plants"	January 1, 2016
Amended IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amended IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amended IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amended IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

New standards, amendments and interpretations	Effective date per IASB
Annual Improvements: 2010-2012 and 2011-2013 cycles	July 1, 2014
Annual Improvements to IFRS: 2012-2014 cycles	January 1, 2016
Amended IFRIC 21 "Levies"	January 1, 2014

The Company is in the process of assessing the impact on the financial position and the results of operations. The related impact will be disclosed following the completion of its assessments.

(4) Summary of Significant Accounting Policies

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

(b) Basis of preparation

1. Basis of measurement

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

(1) Derivative financial instruments at fair value through profit or loss are measured at fair value;

(2) Available-for-sale financial assets are measured at fair value; and

(3) The defined benefit liabilities are recognized as plan assets less the present value of the defined benefit obligation.

2. Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the Company operates. The Company's financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

1. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in the foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Exchange differences arising on the translation of non-monetary items are recognized in profit or loss except for exchange differences arising on 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.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of its investment in an associate or joint venture, including a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Classification of current and non-current assets and liabilities

The Company shall classify an asset as current when:

1. It expects to realize the asset or intends to sell or consume it in its normal operating cycle;
2. It holds the asset primarily for the purpose of trading;
3. It expects to realize the asset within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period, or there are other restrictions.

The Company shall classify all other assets as non-current.

The Company shall classify a liability as current when:

1. It expects to settle the liability in its normal operating cycle;
2. It holds the liability primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company shall classify all other liabilities as non-current.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

Time deposits with maturities within three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used for the purpose of meeting short-term commitments are reclassified as cash equivalents.

(f) Financial instruments

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

1. Financial assets

The Company classifies financial assets into the following categories: available-for-sale financial assets, and loans and receivables.

(1) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses and dividend income, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other gains and losses under non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income under non-operating income and expenses.

(2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

（3）Impairment of financial assets

A financial asset not valued through profit or loss is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event (or events) causes a loss on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Recovery and loss on doubtful debts of account receivables are included in operating expense; others are included in other gains and losses under non-operating income and expenses.

（4）Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss, and it is included in other gains and losses under non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and it is included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

2. Financial liabilities and equity instruments

（1）Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

（2）Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss, which comprise loans and borrowings, salary payable, and trade and other payables, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income and expenses.

（3）Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

（4）Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

3. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposure. Derivatives are recognized initially at fair value, and transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in other gains and losses under non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

（g）Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average-costing principle, and it includes the expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

（h）Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company's financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company's financial statements and the equity attributable to stockholders of the parent in the Company's consolidated financial statements are also the same. Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

（i）Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently. The depreciation is computed along with the depreciable amount. The method, the useful life, and the residual amount are the same as those of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss, and it is included in other gains and losses.

(j) Property, plant and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the item, and it shall be recognized as other gains and losses under non-operating income and expense.

2. Reclassification to investment property

Property is reclassified to investment property at its carrying amount when the use of the property changes from private to investment use.

3. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure which can be reliably measured will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

4. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life, and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(1) Buildings, leasehold improvement, and additional equipment: 1 ~ 51 years
(2) Machinery and equipment: 1 ~4 years
(3) Other equipment: 1 ~5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

(k) Lease

1. Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

2. Lessee

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Contingent rent is recognized as expense in the periods in which it is incurred.

(l) Intangible assets

Intangible assets that are acquired by the Company are measured at cost, less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

The amortizable amount is the cost of an asset, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1. Trademarks 10 years
2. Patents 2.5~10 years
3. Copyrights 15 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimates.

(m) Impairment – non-financial assets

Non-financial assets, except for inventories and deferred tax assets, are assessed for impairment, and the recoverable amounts for any impaired assets are estimated at the end of each reporting period. If it is not possible to determine the recoverable amount for an individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less costs to sell, or its value in use. If the recoverable amount of an individual asset or a cash-generating unit is less than its carrying amount, the carrying amount of the individual asset or cash-generating unit shall be reduced to its recoverable amount, and that reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. An impairment loss recognized in prior periods for an individual asset or a cash-generating unit shall be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount but should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(n) Revenue

1. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Transfer usually occurs when the product is received at the customer's warehouse.

2. Services

The Company provides services, such as model research, development, and design, to customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction, agreed by both sides, at the reporting date.

(o) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income and recognized in retained earnings in a subsequent period.

3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

（p）Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

（q）Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

1. Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
3. Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
   （1）levied by the same taxing authority; or
   （2）levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

（r）Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee stock options, employee bonuses not yet resolved by the stockholders, and restricted stock.

（s）Operating segments

Please refer to the Company's consolidated financial statements for the years ended December 31, 2015 and 2014, for further details.

（5）Significant Accounting Assumptions and Judgments, and Major Sources of Estimation Uncertainty

The preparation of the financial statements in conformity with the Regulations requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continues to monitor the accounting assumptions, estimates and judgments. Management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying accounting policies.

There are no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

A number of the Company's policies and disclosures requires the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has established an internal control framework with respect to the measurement of fair value and regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair value, then the Company assessed the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.**
- **Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as**

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prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If there is any movement of financial instruments measured at fair value between Level 1, Level 2, and Level 3, the Company recognizes the movement at the reporting date. Please refer to note 6(w) for further information on measurement of fair values.

(6) Explanation of Significant Accounts

(a) Cash and cash equivalents

		December 31, 2015	December 31, 2014
Cash on hand	$	625	300
Checking accounts and demand deposits		1,075,455	1,222,594
Time deposits		1,191,480	1,778,985
	$	2,267,560	3,001,879

Please refer to note 6(w) for the currency risk and the interest rate risk of the Company's cash and cash equivalents.

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

1. The fair value of derivative financial instruments was as follows:

		December 31, 2015	December 31, 2014
Financial assets at fair value through profit or loss – current:			
Forward exchange contracts	$	79,052	20,728
Foreign exchange swap contracts		-	437
	$	79,052	21,165
Financial liabilities at fair value through profit or loss – current:			
Forward exchange contracts	$	(52,765)	(20,065)
Foreign exchange swap contracts		-	(2,837)
	$	(52,765)	(22,902)

2. The Company held the following derivative financial instruments not designated as hedging instruments presented as held-for-trading financial assets as of December 31, 2015 and 2014:

December 31, 2015

Derivative financial instruments	Nominal amount	Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD 205,000 thousand	January 7, 2016~ February 26, 2016	32.754~32.892
Forward exchange contracts – buy CNY / sell USD	USD 40,000 thousand	January 19, 2016	6.6380
Forward exchange contracts – buy TWD/sell USD	USD 205,000 thousand	January 7, 2016~ February 26, 2016	32.802~33.010

December 31, 2014

Derivative financial instruments	Nominal amount	Maturity date	Predetermined rate
Forward exchange contracts – buy USD / sell TWD	USD 35,000 thousand	January 6, 2015~ March 4, 2015	30.304~31.252
Forward exchange contracts – buy TWD / sell USD	USD 35,000 thousand	January 6, 2015~ March 4, 2015	30.336~31.289
Foreign exchange swap contracts – swap in TWD/swap out USD	USD 11,170 thousand	January 5, 2015~ January 9, 2015	30.989~31.749

3. Please refer to note 6(w) for the liquidity risk of the Company's derivative financial instruments.

4. The Company did not provide any of the aforementioned financial assets at fair value through profit or loss as collateral.

(c) Available-for-sale financial assets – non-current

		December 31, 2015	December 31, 2014
Stocks listed in domestic markets	$	551,600	-
Stocks unlisted in domestic markets		16,297	275,536
	$	567,897	275,536

1. In December 2014, the Company acquired 2,272 thousand shares of Nien Made Enterprise Co., Ltd. at NT$108 (dollars) per share for consideration of $245,600, and the shares were recognized as available-for-sale financial assets – non-current. The stock of Nien Made Enterprise Co. has been listed in the domestic market since December 22, 2015.

2. In the second quarter of 2014, Titan 1 Venture Capital Co., Ltd. refunded $4,616 to the Company due to capital reduction. The difference between the refund and the book value amounting to $482 was recorded by the Company as other gains and losses.

3. In July, 2015, WK Technology Fund IV Ltd. refunded $1,600 to the Company due to capital reduction.

4. Titan 1 Venture Capital Co., Ltd. and Neosonica Technologies Inc. were closed and finished the liquidation process in August and March 2015, respectively. The Company received $175 due to the liquidation and recorded it as other gains and losses.

5. The impairment loss was $939 and $3,500 for the years ended December 31, 2015 and 2014, respectively, and was recognized as other gains and losses.

6. The unrealized gains were $294,900 and $0 for the years ended December 31, 2015 and 2014, respectively, and were recognized as unrealized gains on available-for-sale financial assets.

7. The Company did not provide any of the aforementioned available-for-sale financial assets as collateral.

(d) Accounts receivable and other receivables (including related parties)

		December 31, 2015	December 31, 2014
Accounts receivable	$	9,376,338	7,639,093
Accounts receivable – related parties	$	2,052,505	1,102,500
Other receivables		28,841	9,664
Less: allowance for doubtful accounts		(19,647)	(19,430)
allowance for sales returns and discounts		(34,927)	(39,530)
	$	11,403,110	8,692,297

1. The Company did not provide any of the aforementioned accounts receivable and other receivables (including related parties) as collateral.

2. Please refer to note 6(w) for changes in the allowance for doubtful accounts and the credit risk and currency risk for the years ended December 31, 2015 and 2014.

3. Please refer to note 9 for guarantee notes provided by the Company to sell its accounts receivable.

(e) Inventories

		December 31, 2015	December 31, 2014
Raw materials	$	1,188	-
Finished goods and merchandise		2,550,383	1,458,489
	$	2,551,571	1,458,489

The Company did not provide any of the aforementioned inventories as collateral.

For the years ended December 31, 2015 and 2014, the Company recognized the following items as cost of goods sold:

		2015	2014
Additional gains (losses) on inventory valuation	$	9,500	(2,000)
Loss on disposal of inventories		(184,276)	(63,140)
Gain (loss) on physical inventories		(585)	1,764
	$	(175,361)	(63,376)

(f) Investments accounted for using equity method

The Company's investments accounted for using the equity method at the reporting dates comprise:

	December 31, 2015	December 31, 2014
Subsidiaries	$ 10,088,961	8,596,698

1. Please refer to the Company's consolidated financial statements for the year ended December 31, 2015, for details of subsidiaries.

2. The Company did not provide investments accounted for using the equity method as collateral.

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2015 and 2014, were as follows:

	Land	Buildings and additional equipment	Machinery and equipment	Other equipment	Testing equipment	Total
Cost or deemed cost:						
Balance on January 1, 2015	$ 22,879	141,789	49,896	44,152	889	259,605
Additions	-	-	15,268	2,756	5,268	23,292
Disposals	-	-	(513)	(2,469)	-	(2,982)
Reclassifications	-	-	2,704	304	(5,953)	(2,945)
Balance on December 31, 2015	$ 22,879	141,789	67,355	44,743	204	276,970
Balance on January 1, 2014	$ 22,879	143,024	44,716	48,567	-	259,186
Additions	-	-	6,786	2,722	3,115	12,623
Disposals	-	(1,235)	(2,624)	(7,137)	-	(10,996)
Reclassifications	-	-	1,018	-	(2,226)	(1,208)
Balance on December 31, 2014	$ 22,879	141,789	49,896	44,152	889	259,605
Depreciation:						
Balance on January 1, 2015	$ -	131,218	34,829	32,271	-	198,318
Depreciation	-	359	10,078	5,374	-	15,811
Disposals	-	-	(513)	(2,200)	-	(2,713)
Balance on December 31, 2015	$ -	131,577	44,394	35,445	-	211,416
Balance on January 1, 2014	$ -	131,893	30,472	33,304	-	195,669
Depreciation	-	560	5,776	6,104	-	12,440
Disposals	-	(1,235)	(1,419)	(7,137)	-	(9,791)
Balance on December 31, 2014	$ -	131,218	34,829	32,271	-	198,318
Carrying amounts:						
Balance on December 31, 2015	$ 22,879	10,212	22,961	9,298	204	65,554
Balance on December 31, 2014	$ 22,879	10,571	15,067	11,881	889	61,287
Balance on January 1, 2014	$ 22,879	11,131	14,244	15,263	-	63,517

1. The unamortized deferred revenue of equipment subsidy amounted to $1,018,732 and $63,143 for the years ended December 31, 2015 and 2014, respectively.

2. The Company did not provide property, plant and equipment as collateral.

(h) Investment property

	Land	Buildings and other equipment	Total
Cost or deemed cost:			
Balance on January 1, 2015	$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2015	$ 162,012	172,167	334,179
Balance on January 1, 2014	$ 162,012	172,167	334,179
Additions	-	-	-
Balance on December 31, 2014	$ 162,012	172,167	334,179
Depreciation and impairment losses:			
Balance on January 1, 2015	$ 33,941	37,969	71,910
Depreciation	-	3,560	3,560
Balance on December 31, 2015	$ 33,941	41,529	75,470
Balance on January 1, 2014	$ 33,941	34,409	68,350
Depreciation	-	3,560	3,560
Balance on December 31, 2014	$ 33,941	37,969	71,910
Carrying amounts:			
Balance on December 31, 2015	$ 128,071	130,638	258,709
Balance on December 31, 2014	$ 128,071	134,198	262,269
Balance on January 1, 2014	$ 128,071	137,758	265,829
Fair value:			
Balance on December 31, 2015			$ 592,092
Balance on December 31, 2014			$ 561,338
Balance on January 1, 2014			$ 622,009

1. The fair value of investment property is based on the market value.

2. Investment property comprises a number of commercial properties which are leased to third parties. Each of the leases contains an initial non-cancellable period between 1 and 2 years. Subsequent renewals are negotiated with the lessee, and no contingent rents are charged. Please refer to note 6(l) for further information.

3. The Company did not provide any of the aforementioned investment property as collateral.

(i) Intangible assets

The cost and amortization of the intangible assets of the Company for the years ended December 31, 2015 and 2014. were as follows:

		Trademarks	Patents	Copyrights	Total
Cost:					
Balance at January 1, 2015	$	25,584	64,271	30,832	120,687
Acquisition		-	-	-	-
Balance at December 31, 2015	**$**	**25,584**	**64,271**	**30,832**	**120,687**
Balance at January 1, 2014	$	25,584	64,271	30,832	120,687
Acquisition		-	-	-	-
Balance at December 31, 2014	**$**	**25,584**	**64,271**	**30,832**	**120,687**
Amortization:					
Balance at January 1, 2015	$	13,431	58,468	10,791	82,690
Amortization		2,559	3,869	2,055	8,483
Balance at December 31, 2015	**$**	**15,990**	**62,337**	**12,846**	**91,173**
Balance at January 1, 2014	$	10,873	54,599	8,736	74,208
Amortization		2,558	3,869	2,055	8,482
Balance at December 31, 2014	**$**	**13,431**	**58,468**	**10,791**	**82,690**
Carrying amount:					
Balance at December 31, 2015	**$**	**9,594**	**1,934**	**17,986**	**29,514**
Balance at December 31, 2014	**$**	**12,153**	**5,803**	**20,041**	**37,997**
Balance at January 1, 2014	**$**	**14,711**	**9,672**	**22,096**	**46,479**

The Company did not provide any of the aforementioned intangible assets as collateral.

(j) Short-term borrowings

The details were as follows:

		December 31, 2015	December 31, 2014
Unsecured bank loans	**$**	**1,120,518**	**2,148,800**
Unused credit lines	**$**	**6,960,042**	**4,469,600**
Annual interest rates		**0.85%~1.38%**	**0.80%~1.60%**

(k) Long-term borrowings

The details were as follows:

	December 31, 2015				
	Currency	Annual interest rate	Maturity year		Amount
Unsecured bank loans	TWD	0.95%~1.56%	2017~2020	$	1,316,667
Less: current portion					(548,889)
				$	**767,778**
Unused credit lines				**$**	**150,000**

	December 31, 2014				
	Currency	Annual interest rate	Maturity year		Amount
Unsecured bank loans	TWD	1.05%~1.48%	2017	$	1,500,000
Less: current portion					(600,000)
				$	**900,000**
Unused credit lines				**$**	**1,789,600**

1. Pursuant to the loan agreements with Industrial Bank of Taiwan, The Export-Import Bank of the ROC and CTBC Bank, the Company has to maintain the following financial ratios calculated based on the Company's semi-annual audited (reviewed) consolidated financial statements. As of December 31, 2015, the Company had not violated the financial covenants. The financial covenants include (1) a current ratio of not less than 100%; (2) a financial debt ratio of not greater than 75%; (3) an interest coverage ratio of not less than 400%; and (4) stockholders' equity of not less than $4,000,000. If the Company violates the financial covenants, the banks have the right to charge a default penalty or to require the Company to improve its financial ratios.

2. Please refer to note 9 for the details of the outstanding guarantee notes.

(l) Operating lease

1. Lessee

Non-cancellable operating lease rentals are payable as follows:

		December 31, 2015	December 31, 2014
Less than one year	$	90,708	88,066
Between one and five years		184,138	274,847
	$	**274,846**	**362,913**

The Company leases a number of offices under operating leases. The lease terms are 15 years.

2. Lessor

The Company leases out its investment property under operating leases. Please refer to note 6(h) for further information. Non-cancellable operating leases are receivable as follows:

		December 31, 2015	December 31, 2014
Less than one year	$	**1,060**	**5,584**

(m) Employee benefits

1. Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of the plan assets of the Company were as follows:

		December 31, 2015	December 31, 2014
Present value of defined benefit obligations	$	160,913	162,598
Fair value of plan assets		97,683	104,919
Deficit in the plan	$	63,230	57,679
Asset ceiling		-	-
Net defined benefit liability	$	**63,230**	**57,679**

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

(1) Composition of plan assets

The Company contributes pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $97,683 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Company for the years ended December 31, 2015 and 2014, were as follows:

		2015	2014
Defined benefit obligation at January 1	$	162,598	169,353
Benefits paid by plan assets		(14,885)	(98,695)
Current service costs and interest		4,685	5,025
Remeasurement of net defined liability		8,515	(3,085)
Defined benefit obligation at December 31	$	**160,913**	**162,598**

(3) Movements in the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company for the years ended December 31, 2015 and 2014, were as follows:

		2015	2014
Fair value of plan assets at January 1	$	104,919	108,207
Expected return on plan assets		2,167	2,207
Remeasurement of net defined liability		603	258
Contributions made		4,879	2,942
Benefits paid plan assets		(14,885)	(8,695)
Fair value of plan assets at December 31	$	**97,683**	**104,919**

(4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company for the years ended December 31, 2015 and 2014, were as follows:

		2015	2014
Service cost	$	1,322	1,638
Interest cost		1,196	1,180
Expenses	$	**2,518**	**2,818**

(5) Remeasurement of net defined liability (asset) recognized in other comprehensive income

The Company's remeasurement of net defined liability (asset) recognized in other comprehensive income for the years ended December 31, 2015 and 2014, was as follows:

		December 31, 2015	December 31, 2014
Cumulative amount at January 1	$	(5,020)	(1,676)
Recognized during the period		7,912	(3,344)
Cumulative amount at December 31	$	**$2,892**	**(5,020)**

(6) Actuarial assumptions

The following are the Company's principal actuarial assumptions:

	2015	2014
Discount rate	1.750%	2.125%
Future salary increase rate	3.250%	3.250%

The expected contribution to be made by the Company to the defined benefit plans for the one-year period after the reporting date was $3,667. The weighted-average duration of the defined benefit obligation is 13 years.

(7) Sensitivity analysis

When computing the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation would have been as follows:

		Increased 0.25%	Decreased 0.25%
Discount rate	$	(3,835)	3,971
Future salary increase rate	$	3,811	(3,701)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no change in the method and assumptions used in the preparation of the sensitivity analysis for 2015 and 2014.

2. Defined contribution plans

The Company contributes 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company recognized pension costs under the defined contribution method amounting to $39,743 and $36,465 for the years ended December 31, 2015 and 2014, respectively, recorded as operating expenses and operating cost in the statement of comprehensive income.

(n) Income taxes

1. The amounts of income tax expenses for 2015 and 2014 were as follows:

		2015	2014
Current tax expense	$	366,500	50,513
Deferred tax expense (benefit)		(205,699)	38,131
Income tax expense	$	**160,801**	**88,644**

2. The Company had no income tax recognized directly in equity or other comprehensive income for the years ended December 31, 2015 and 2014.

3. Reconciliation of income tax expenses and profit before tax for 2015 and 2014 was as follows:

		2015	2014
Profit before tax	$	1,933,923	1,633,334
Income tax calculated based on the Company's domestic tax rate		328,767	277,667
Overseas investment gains recognized under the equity method		(105,331)	(119,243)
Investment tax credits accrued		(83,224)	(42,794)
Prior year's income tax adjustment		157	(599)
10% surtax on unappropriated earnings		60,246	29,548
Other		(39,814)	(55,935)
	$	**160,801**	**88,644**

4. Deferred tax assets and liabilities

(1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with subsidiaries' earnings. Also, the management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

		December 31, 2015	December 31, 2014
Aggregate amount of temporary differences related to investments in subsidiaries	$	475,399	388,595

(2) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2015	December 31, 2014
Deductible temporary differences	$	60,300	76,900

The deductible temporary differences cannot be realized. Therefore, they were not recognized as deferred tax assets.

(3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2015 and 2014 were as follows:

		Investment income recognized under the equity method (overseas)	Unrealized foreign exchange gains	Others	Total
Deferred tax liabilities:					
Balance on January 1, 2015	$	89,222	3,500	1,061	93,783
Recognized in profit or loss		22,832	(3,500)	4,467	23,799
Balance on December 31, 2015	**$**	**112,054**	**-**	**5,528**	**117,582**
Balance on January 1, 2014	$	47,102	3,418	1,061	51,581
Recognized in profit or loss		42,120	82	-	42,202
Balance on December 31, 2014	**$**	**89,222**	**3,500**	**1,061**	**93,783**

	Bad debt in excess of tax limit	Unfunded pension fund contribution	Unrealized sales returns and allowances	Loss on inventory valuation	Deferred granted revenue	Unrealized exchange losses	Others	Total
Deferred tax assets:								
Balance on January 1, 2015	$ 11,521	14,875	29,977	4,382	-	-	3,266	64,201
Recognized in profit or loss	9,418	(402)	14,264	(1,115)	173,185	17,339	16,809	229,498
Balance on December 31, 2015	**$ 20,939**	**14,473**	**44,241**	**3,267**	**173,185**	**17,339**	**20,075**	**293,519**
Balance on January 1, 2014	$ 12,114	15,153	15,789	2,943	-	-	13,951	59,950
Recognized in profit or loss	(593)	(278)	14,188	1,439	-	-	(10,685)	4,071
Balance on December 31, 2014	**$ 11,521**	**14,875**	**29,977**	**4,382**	**-**	**-**	**3,266**	**64,021**

5. The Company's income tax returns have been examined by the tax authority through the years up to 2013. However, the Company disagreed with the examination of the income tax returns for 2008 and requested an administrative remedy. The tax effect of the administrative remedy has been recognized by the Company.

6. Information related to the unappropriated earnings and tax deduction ratio is summarized below:

		December 31, 2015	December 31, 2014
Unappropriated earnings in 1998 and after	$	3,951,934	3,132,488
Balance of imputation credit account	$	420,838	385,069

		2015 (estimated)	2014 (actual)
Creditable ratio for earnings distribution to ROC resident stockholders	$	18.12%	15.12%

The above information was prepared in accordance with information letter No. 10204562810 issued by the Ministry of Finance, ROC, on October 17, 2013.

(o) Capital and other equity

As of December 31, 2015 and 2014, the nominal common stock amounted to $5,000,000. Face value of each share is $10 (dollars), which means in total there were 500,000 thousand authorized common shares, of which 441,188 and 434,658 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2015 and 2014 was as follows:

	Ordinary shares	
(in thousands of shares)	**2015**	**2014**
Balance on January 1	434,658	433,573
Exercise of employee stock options	3,810	1,050
Issued for restricted stock	3,000	355
Retirement of restricted stock	(280)	(320)
Balance on December 31	**441,188**	**434,658**

1. Common stock

(1) The Company issued 3,810 thousand and 1,050 thousand new shares of common stock for the exercise of employee stock options in 2015 and 2014, respectively. The related registration procedures were also completed.

(2) Employee stock options exercised without registration procedures were recorded as capital collected in advance. The exercise price and units as of December 31, 2015 and 2014, were as follows:

	December 31,2015		
	Exercised shares (in thousands)		Exercise price
Exercise price per share: $11.42	235	$	2,679
Exercise price per share: $26.50	472		12,495
	707	**$**	**15,174**

	December 31,2014		
	Exercised shares (in thousands)		Exercise price
Exercise price per share: $11.42	2,151	$	24,563
Exercise price per share: $17.90	275		4,922
Exercise price per share: $27.70	340		9,418
	2,766	**$**	**38,903**

2. Capital surplus

The balances of capital surplus as of December 31, 2015 and 2014, were as follows:

		December 31, 2015	December 31, 2014
Additional paid-in capital	$	447,630	392,739
Employee stock options		236,277	256,985
Restricted employee stock options		93,461	23,819
	$	777,368	673,543

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

3. Retained earnings

According to the articles of the Company, 10% of its annual net income after settling accumulated deficit, if any, is to be set aside as legal reserve until it is equal to authorized capital. Also, a special reserve should be retained or reversed under related regulations. After the recognition or reversal of special reserve, 2% to 10% is to be appropriated as employee bonuses, and a maximum of 2% as directors' and supervisors' remuneration. The remainder, if any, is to be distributed as dividends as determined by the board of directors and approved by the stockholders.

The Company is at the growth stage and considers its future cash demand, long-term financial plans, benefits to stockholders, and balanced dividends. Earnings distribution is made by stock dividend and cash dividend. The cash dividend shall not be less than 10 percent of the total dividends and could be adjusted depending on the Company's operating condition.

According to the Company Act as amended in May 2015, employee bonuses and directors' and supervisors' remuneration are no longer subject to earnings distribution, and the Company will make all the necessary changes to its articles of association before the deadline specified by the authorities.

(1) Legal reserve

In accordance with the Company Act, 10 percent of the net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

(2) Special reserve

By choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" during the Company's first-time adoption of the International Financial Reporting Standards endorsed by the FSC, retained earnings increased by $97,300 by recognizing the cumulative translation adjustments (gains) on the adoption date as deemed cost. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, the increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as special reserve, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately. The carrying amount of special reserve amounted to $97,300 on December 31, 2015.

In accordance with the guidelines of the above Ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other stockholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

(3) Earnings distribution

Employee bonuses amounted to $71,318 for 2014. Directors' and supervisors' remuneration amounted to $28,527 for 2014. These amounts were calculated based on the Company's net profit for 2014 by using the earnings allocation method as stated under the Company's articles. These benefits were expensed under operating costs or operating expenses during 2014.

On June 29, 2015, and June 24, 2014, the stockholders' meeting resolved the distribution of earnings for 2014 and 2013, respectively. The distribution was NT$1.8 and 0.8 (dollars) per share, which amounted to $791,107 thousand and $347,105 thousand, respectively. The differences between the amounts approved in the stockholders' meeting and those recognized in the financial statements for employee bonuses and remuneration for directors and supervisors were as follows:

	2014			
		Actual earnings distributed	Accrued in the financial statements	Difference
Employee bonuses				
Stock	$	-	-	-
Cash		71,000	71,318	318
Directors' and supervisors' remuneration		27,800	28,527	727

	2013			
		Actual earnings distributed	Accrued in the financial statements	Difference
Employee bonuses				
Stock	$	-	-	-
Cash		32,000	31,966	(34)
Directors' and supervisors' remuneration		12,000	12,787	787

Differences between the amounts approved in the stockholders' meeting and those recognized in the financial statements for the distributions of earnings for 2014 and 2013 were accounted for as changes in accounting estimates and recognized as profit or loss in the years 2015 and 2014, respectively.

The information about the employee bonuses and the directors' and supervisors' remuneration approved in the board of directors' and stockholders' meetings can be accessed in the Market Observation Post System.

(p) Share-based payment

1. Employee stock options and share-based payment

(1) On December 28, 2007, the Company merged with Primax and assumed the outstanding employee stock options of Primax. Based on the swap ratio approved by Primax Holdings' board of directors, Primax Holdings issued 1,795,879 units of employee stock options in exchange for all of the employee stock options issued by Primax. According to the option plan, each unit could be converted into 1 common share of Primax Holdings. The primary terms and conditions of the employee stock options were as follows:

A. Exercise period:

From the grant dates in May 2005, June and December 2006, and February and March 2007, the options are exercisable at the following rates two years after the grant date. The term of the employee stock options is 5 years. The employee stock options and any right thereof shall not be transferred, pledged, donated, or disposed of in any way, with the exception of inherited options.

Period following the grant of options	Exercisable percentage (cumulative)
2 years	50%
3 years	100%

B. Procedure for fulfilling obligation: Primax Holdings fulfills its obligation by issuing new common stock.

(2) Based on the resolution approved in the board of directors' meeting of Primax Holdings held on December 31, 2007, Primax Holdings declared an incentive plan to grant the right to some employees of the Company to participate in the subscription of the non-voting ordinary shares of Primax Holdings. The transaction is a kind of equity-settled share-based payment agreement, and the equity instruments under this agreement were vested at the date of grant. Primax Holdings recognized the compensation cost by using the fair value method. The difference in value between the net value per share of Primax Holdings determined at the grant date and the exercise price per share was recognized as cost of long-term investment in the Company by Primax Holdings in 2007, and was recognized as compensation cost and capital surplus by the Company. Based on the resolution approved in the board of directors' meeting of Primax Holdings held in April 2008, Primax Holdings amended the share-based payment agreement mentioned above, and consequently, the non-voting ordinary shares were replaced by options to purchase them. The amendment had no impact on the accompanying financial statements.

(3) In addition, Primax Holdings declared an incentive plan to grant stock options to employees of the Company in January, May and November 2008 to participate in the subscription of the non-voting ordinary shares of Primax Holdings. Some of the options are vested at the grant date; the others are vested from two years to five years after the grant date. Primax Holdings recognized the compensation cost by using the fair value method as cost of long-term investment in the Company, and the Company correspondingly recognized it as compensation cost and capital surplus.

(4) Based on the resolution approved in the board of directors' meetings of Primax Holdings and the Company held in December 2008, the Company issued employee stock options in exchange for part of the unvested or unexercised employee stock options issued by Primax Holdings. Specifically, 2.94 units of employee stock options were issued by the Company in exchange for 1 unit of the employee stock options issued by Primax Holdings. Each unit of the Company's options could be converted into 1 common share of the Company. The exercise price of Primax Holdings' options is USD0.2 per unit; the exercise price of the Company's options is NT$11.42 (dollars) per unit after the modification. Meanwhile, the Company granted a certain amount of retention bonus to employees at the modification date, and the Company shall pay the retention bonus when the Company's stock options are exercised. The other terms and conditions of the employee stock options are not changed. According to the modification, the Company decreased the capital surplus by $118,089, and recognized a corresponding increase in retention bonus payable (recorded as accrued expense and other liabilities) on December 30, 2008. The incremental fair value of $55,308 resulting from the modification will be recognized as compensation cost over the remainder of the vesting period.

(5) In accordance with the revised employee stock option plan mentioned above, the Company issued 9,545,248 units of employee stock options in November 2009. Each unit could be converted into 1 common share of the Company.

(6) In September 2011, the Company's board of directors resolved to issue employee stock options (Plan 3). The plan was approved by the SFB in October 2011, and the maximum number of options authorized to be granted was 5,000 units with each unit eligible to be converted into 1,000 common shares of the Company when exercised. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries in which the Company owns, directly or indirectly, more than fifty percent (50%) of the subsidiary's voting rights. The Company actually issued 1,500 units and 3,500 units in November 2011 and October 2012, respectively, which were evaluated at fair value. In accordance with the employee stock option plan mentioned above, the Company recognized the investment and capital surplus amounting to $1,523 and $265 in 2015 and 2014, respectively.

(7) As of December 31, 2015, outstanding employee stock options of the Company for equity-settled share-based payment were as follows:

	Plan 1 (note 1)	Plan 2 (note 2)	Plan 3 (note 3)	
			Issued in November 2011	Issued in October 2012
Modification and grant date	December 30, 2008/ November 12, 2009	December 30, 2008/ November 12, 2009	November 24, 2011	October 22, 2012
Exercise price	$11.42	$11.42	$17.10	$26.50
Granted units (thousand)	30,828	7,224	1,500	3,500
Service period (from the grant date of the original stock options)	5 years (May 23, 2005~ November 11, 2014)	6~8 years (January 2, 2008~ November11, 2017)	5 years (November 24, 2011~ November 23, 2016)	5 years (October 22, 2012~ October 21, 2017)
Vesting period (from the grant date of the original stock options)	2~3 years	3~5 years	2~3 years	2~3 years

Note 1: Stock options under Plan 1 included those granted by Primax in May 2005, June and December 2006, and February and March 2007; those granted by Primax Holdings in January, May and November 2008; and those granted by the Company in November 2009.

Note 2: Stock options under Plan 2 included those granted by Primax Holdings in January and May 2008, and those granted by the Company in November 2009.

Note 3: Stock options under Plan 3 included those granted by the Company in November 2011 and October 2012.

The information on the outstanding employee stock options of Primax Holdings using the Black-Scholes option pricing model to measure the fair value at the grant date was as follows:

	Plan 1	Plan 2
Exercise price of Primax Holdings' stock options (USD)	0.20	0.20
Expected time until expiration (years)	2.37~5	6~8
Stock price per share of Primax Holdings (USD)	0.91677~1	0.91677~0.92827
Expected volatility of stock price	34.78%~44.59%	38.98%~48.44%
Expected cash dividend rate	-	-
Risk-free interest rate	2.439%~2.665%	2.509%~2.538%

The Company applied the Black-Scholes option pricing model to measure the fair value of employee stock options granted in November 2009, 2011 and 2012. The information on share-based payment was as follows:

Period of stock options	Plan 1	Plan 2	Plan 3	
			Issued in November 2011	Issued in October 2012
Exercise price of stock options (NT dollars)	$ 11.42	$ 11.42	$ 18.2	$ 28.25
Expected time until expiration (years)	5	8	5	5
Stock price per share (NT dollars)	$ 16.50	$ 16.50	$ 26.02	$ 28.25
Expected volatility of stock price	45.18%	45.18%	29.12%	32.38%~34.61%
Expected cash dividend rate	-	-	6%	3.77%
Risk-free interest rate	2.26%	2.26%	1.81%	1.425%

(8) The incremental fair value resulting from the modification described in section (iv) above amounted to $55,308 (including the accrued retention bonus of $261,721). The measurement basis of share-based payment as of December 30, 2008 (the modification date) was as follows:

	Plan 1		Plan 2	
	Before the modification	After the modification	Before the modification	After the modification
Granted units of options	Primax Holdings 7,365	the Company 21,654	Primax Holdings 2,331	the Company 6,853

The information on the stock options using the Black-Scholes option pricing model to measure the incremental fair value at the modification date was as follows:

	Plan 1		Plan 2	
	Before the modification	After the modification	Before the modification	After the modification
Exercise price	USD 0.20	NT$11.42 (dollars)	USD 0.20	NT$11.42 (dollars)
Expected time until expiration (years)	0.39~3.89	0.39~3.89	3.51~5.85	3.51~5.85
Stock price per share	USD 1.12	NT$11.42 (dollars)	USD 1.12	NT$11.42 (dollars)
Expected volatility of stock price	33.56%~45.36%	33.56%~45.36%	39.30%~45.36%	39.30%~45.36%
Expected dividend rate	-	-	-	-
Risk-free interest rate	1.005%~1.5%	1.005%~1.5%	1.50%~1.95%	1.50%~1.95%

（9）The related information on compensatory employee stock option plans was as follows:

	2015		2014	
	Weighted-average exercise price	Stock options (in thousands)	Weighted-average exercise price	Stock options (in thousands)
Outstanding at January 1	22.66	3,724	18.74	7,552
Granted during the year	-	-	-	-
Forfeited during the year	25.66	(169)	16.40	(65)
Exercised during the year	18.67	(1,750)	13.72	(3,543)
Expired during the year	27.70	(77)	25.47	(220)
Outstanding at December 31	24.66	1,728	22.66	3,724
Exercisable at December 31	24.66	1,728	19.57	2,308

As of December 31, 2015 and 2014, the information on the employee stock option plans outstanding was as follows:

	December 31, 2015	December 31, 2014
Employee stock option plan 1	-	-
Employee stock option plan 2	211	1,032
Employee stock option plan 3–Issued in November 2011	-	200
Employee stock option plan 3–Issued in October 2012	1,517	2,492
Outstanding at end of year	1,728	3,724
Weighted-average expected time remaining until expiration (year)	1.82	2.37

2. Restricted stock

（1）As of December 31, 2015, the outstanding restricted stock of the Company was as follows:

	Plan 1 (note 1)				Plan 2 (note 1)	
Grant date	October 1, 2013	November 20, 2013	February 10, 2014	July 17, 2014	February 24, 2015	August 18, 2015
Fair value on grant date (per share)	22.8	25.15	27.30	52.00	43.70	38.40
Exercise price	Free grants	Free grants	Free grants	Free grants	Free grants	Free grants
Granted units (thousand shares)	1,450	186	135	220	1,225	1,775
Vesting period	1~3 years (notes 2 and 3)	1~2 years (notes 3 and 4)	1~2 years (notes 3 and 4)	1~2 years (note 3)	1~3years (note 2 and 3)	1~3 years (note 2)

Note 1: Plan 1 – After the stockholders' meeting on June 25, 2013, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,450 thousand shares, 186 thousand shares, 135 thousand shares, and 220 thousand shares on August 13 and November 12, 2013, and January 22 and June 27, 2014, respectively.

Plan 2 – After the stockholders' meeting on June 24, 2014, the Company decided to issue shares of restricted stock to those full-time employees who meet the Company's requirements. The restricted stock has been registered with and approved by the Securities and Futures Bureau of the FSC. The board of directors' meeting resolved to issue 1,225 thousand shares and 1,775 thousand shares on January 28 and August 13, 2015, respectively.

Note 2: If the employees continue to provide service to the Company and meet the prior year's performance indicator, 30% of the restricted stock shall be vested in year 1 after the grant date, and the remaining 30% and 40% shall be vested in year 2 and year 3, respectively, after the grant date.

Note 3: If the employees continue to provide service to the Company and meet the prior year's performance indicator, 50% of the restricted stock shall be vested in year 1 after the grant date, and the remaining 50% shall be vested in year 2 after the grant date.

Note 4: If the employees continue to provide service to the Company and meet the prior year's performance indicator, the restricted stock shall be vested in year 1 after the grant date.

The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or, by any other means, disposed of to third parties during the custody period. The voting rights of these shares are executed by the custodian, and the custodian will act based on law and regulations. If the shares remain unvested after the vesting period, the Company will cancel the unvested shares thereafter.

（2）The related information on restricted stock of the Company for 2015 and 2014 was as follows:

(Thousand shares)	2015	2014
Outstanding at January 1	1,310	1,636
Granted during the year	3,000	355
Forfeited during the year	-	-
Vesting during the year	(660)	(361)
Expired during the year	(380)	(320)
Outstanding at December 31	3,270	1,310

3. Expenses and liabilities attributable to share-based payment for 2015 and 2014 were as follows:

	2015	2014
Expenses attributable to employee stock options	$ 2,564	8,523
Restricted stock	46,477	21,751
Total	$ 49,041	30,274
Salary payable:		
Current	$ 4,092	9,476

（q）Earnings per share

1. Basic earnings per share

The calculation of basic earnings per share of years 2015 and 2014, based on the net income and the weighted-average number of common shares outstanding was as follows:

	2015	2014
Net income	$ 1,773,122	1,544,690
Weighted-average number of common shares (thousand shares)	436,372	432,362
Basic earnings per share (NT dollars)	$ 4.06	3.57

Weighted-average number of common shares (thousand shares)

	2015	2014
Ordinary shares at January 1	433,348	431,937
Exercise of employee stock options	2,818	353
Vesting of restricted stock	206	72
Ordinary shares at December 31	436,372	432,362

2. Diluted earnings per share

The calculation of diluted earnings per share of years 2015 and 2014, based on the net income and the weighted-average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares was as follows:

	2015	2014
Net income	$ 1,773,122	1,544,690
Weighted-average number of common shares (diluted / thousand shares)	441,810	438,990
Diluted earnings per share (NT dollars)	$ 4.01	3.52

	2015	2014
Weighted-average number of ordinary shares at December 31 (basic)	436,372	432,362
Effect of employee stock options	1,707	3,621
Effect of employee stock bonuses	2,769	2,199
Effect of restricted stock	962	808
Weighted-average number of ordinary shares at December 31 (diluted)	**441,810**	**438,990**

(r) Operating revenue

The operating revenue in the years ended December 31, 2015 and 2014, was as follows:

		2015	2014
Goods sold	$	50,323,410	41,177,774
Services rendered		1,314,771	1,178,611
	$	**51,638,181**	**42,356,385**

(s) Employee bonuses, and directors' and supervisors remuneration

Employee bonuses amounted to $78,269 for 2015. Directors' and supervisors' remuneration amounted to $31,907 for 2015. These amounts were calculated based on the Company's income before income taxes excluding employee bonuses and directors' and supervisors' remuneration by using the earnings allocation method as stated under the Company's articles. These benefits were expensed under operating costs or operating expenses during 2015. The differences between the amounts approved in the stockholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution year.

The information about the employee bonuses and the directors' and supervisors' remuneration approved in the board of directors' and stockholders' meetings can be accessed in the Market Observation Post System.

(t) Other income

The other income in the years ended December 31, 2015 and 2014, was as follows:

		2015	2014
Interest revenue of cash in banks	$	13,235	17,500
Rent revenue		8,555	9,704
Cash dividends		263	263
	$	**22,053**	**27,467**

(u) Other gains and losses

The other gains and losses in the years ended December 31, 2015 and 2014, was as follows:

		2015	2014
Net gains (losses) on financial assets/liabilities measured at fair value through profit or loss	$	26,287	(1,737)
Foreign currency exchange gains, net		263,893	70,102
Impairment loss on available-for-sale financial assets		(939)	(3,500)
Gain on disposal of financial assets		175	4,134
Other		(5,928)	51,398
	$	**283,488**	**120,397**

(v) Finance costs

The finance costs in the years ended December 31, 2015 and 2014, were as follows:

		2015	2014
Interest expense	$	53,380	60,684
Expense of prematurely terminated contract for derivative financial instruments		-	156,389
	$	**53,380**	**217,073**

(w) Financial instruments

1. Credit risk

The aging analysis of accounts and other receivables (including related parties) that were past due but not impaired was as follows:

		December 31, 2015	December 31, 2014
Past due 0-30 days	$	989,857	635,451
Past due 31-90 days		8,870	154,618
Past due 91-180 days		7,107	3,108
Past due 181-365 days		855	-
	$	**1,006,689**	**793,177**

The Company assesses the uncollectible amount of accounts and other receivables (including related parties) based on the aging analysis, the collection history, and the customers' current financial status, and recognizes an allowance for doubtful debts accordingly. After the Company's assessment, there is no significant change in the customers' credit quality and the collectability of related receivables.

The changes in the allowance for 2015 and 2014 were as follows:

		Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2015	$	-	19,430	19,430
Impairment loss recognized		-	-	-
Amounts written off		-	(625)	(625)
Exchange differences on translation of foreign currency		-	842	842
Balance on December 31, 2015	$	**-**	**19,647**	**19,647**
Balance on January 1, 2014	$	-	17,796	17,796
Impairment loss recognized		-	625	625
Amounts written off		-	-	-
Exchange differences on translation of foreign currency		-	1,009	1,009
Balance on December 31, 2014	$	**-**	**19,430**	**19,430**

2. Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
December 31, 2015							
Non-derivative financial liabilities:							
Short-term borrowings	$ 1,120,518	1,120,518	1,120,518	-	-	-	-
Notes and accounts payable	264	264	264	-	-	-	-
Accounts payable - related parties	11,340,202	11,340,202	11,340,202	-	-	-	-
Other payables	1,025,313	1,025,313	1,025,313	-	-	-	-
Long-term borrowings	1,316,667	1,342,525	282,503	280,977	555,552	223,493	-
Guarantee deposits	90,726	90,726	-	-	-	-	90,725
Derivative financial liabilities:	52,765	-	-	-	-	-	-
Outflow	-	52,765	52,765	-	-	-	-
Inflow	-	-	-	-	-	-	-
	$ 14,946,455	14,972,313	13,821,565	280,977	555,552	223,493	90,725
December 31, 2014							
Non-derivative financial liabilities:							
Short-term borrowings	$ 2,148,800	2,148,800	2,148,800	-	-	-	-
Notes and accounts payable	7,493	7,493	7,493	-	-	-	-
Accounts payable - related parties	8,026,918	8,026,918	8,026,918	-	-	-	-
Other payables	596,881	596,881	596,881	-	-	-	-
Long-term borrowings	1,500,000	1,528,286	309,315	307,576	611,302	300,093	-
Guarantee deposits	128,204	128,204	-	-	-	-	128,204
Derivative financial liabilities:	22,902	-	-	-	-	-	-
Outflow	-	1,212,301	1,212,301	-	-	-	-
Inflow	-	(1,189,105)	(1,189,105)	-	-	-	-
	$ 12,431,198	12,459,778	11,112,603	307,576	611,302	300,093	128,204

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

3. Currency risk

（1）Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2015			December 31, 2014		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 411,446	33.066	13,604,883	369,084	31.60	11,663,048
Financial liabilities						
Monetary items						
USD	392,674	33.066	12,984,166	336,307	31.60	10,627,314

（2）Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings, notes and accounts payable, and other payables that are denominated in foreign currency.

VI. Financial review

A weakening (strengthening) of 5% of the TWD against the USD as of December 31, 2015 and 2014, would have increased or decreased the net profit after tax by $25,760 and $42,983, respectively. The analysis is performed on the same basis for both periods.

（3）Exchange gains and losses on monetary items

The Company's exchange gains and losses on monetary items (including realized and unrealized) translated to the Company's functional currency were as follows:

	2015		2014	
	Exchange gains and losses	Average exchange rate	Exchange gains and losses	Average exchange rate
TWD	263,893	1	70,102	1

4. Interest rate analysis

Please refer to note 6(x) for the exposure of financial assets and liabilities to changes in interest rates.

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. The analysis is based on the assumption that the liabilities with floating interest rates outstanding at the reporting date were outstanding throughout the year. The rate of change is an interest rate increase or decrease of 0.25% when reporting to management internally, which also represents the assessment of the Company's management for the reasonably possible changes in interest rates.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by $2,585 and $3,880 for the years ended December 31, 2015 and 2014, respectively, mainly as a result of bank savings and borrowings with variable interest rates.

5. Fair value

（1）Kinds of financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information on financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and on investments in equity instruments which do not have any quoted price in an active market.

	December 31, 2015				
	Carrying amounts	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss – current	$ 79,052	-	-	79,052	79,052
Available-for-sale financial assets – non-current	$ 567,897	551,600	-	16,297	567,897
Loans and receivables					
Cash and cash equivalents	$ 2,267,560				
Notes and accounts receivable (including related parties)	11,374,269				
Other receivables	28,841				
Total	$ 13,670,670				
Financial liabilities at fair value through profit or loss – current	$ 52,765	-	-	52,765	52,765
Financial liabilities carried at amortized cost					
Borrowings	$ 2,437,185				
Notes and accounts payable (including related parties)	11,340,466				
Other payables	1,583,478				
Salary payable	411,680				
Total	$ 15,772,809				

	December 31, 2014				
		Fair Value			
	Carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss – current	**$ 21,165**	**-**	**-**	**21,165**	**21,165**
Available-for-sale financial assets – non-current	**$ 275,536**	**-**	**-**	**275,536**	**275,536**
Loans and receivables					
Cash and cash equivalents	$ 3,001,879				
Notes and accounts receivable (including related parties)	8,682,633				
Other receivables	9,664				
Total	**$ 11,694,176**				
Financial liabilities at fair value through profit or loss – current	**$ 22,902**	**-**	**-**	**22,902**	**22,902**
Financial liabilities carried at amortized cost					
Borrowings	$ 3,648,800				
Notes and accounts payable	8,034,411				
Other payables	902,386				
Salary payable	387,912				
Total	**$ 12,973,509**				

(2) Fair value valuation techniques for financial instruments measured at fair value

If a financial instrument has a quoted price in an active market, the quoted price is used as fair value. The quoted price of a financial instrument obtained from major stock exchanges and over-the counter markets are the basis used to determine the fair value of a listed company's stock and the quoted prices in an active market.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. If these conditions can not be reached, then the market is non-active. In general, a market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The Company uses the following methods in determining the fair value of its financial instruments without a quoted price in an active market:

※A. The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value is estimated on the basis of the contract's spot exchange rate and swap point.

※B. Available-for-sale financial assets – non-current are investments in domestic or foreign non-listed stocks. The fair value is based on a valuation technique in the emerging market of stocks, the estimated fair value is adjusted for the lack of liquidity. When prices listed in the emerging market are unavailable, the fair value is estimated on the basis of unadjusted prior trade prices.

(3) Tranfers between Level 1 and 3

The fair value of shares of Nien Made Enterprise Co., Ltd. amounted to $551,600 and $245,600 as of December 31, 2015 and 2014, respectively. On December 31, 2014, the shares of Nien Made Enterprise Co., Ltd. were classified to Level 3 because there was no quoted price for the shares, and the fair value of the shares was estimated on the basis of significant unobservable inputs. The shares of Nien Made Enterprise Co., Ltd. have been listed on the TWSE since December 2015 and have quoted prices. Thus, the fair value measurement transferred from Level 3 to Level 1 on December 31, 2015.

(4) Changes in Level 3

	2015			2014		
	Fair value through profit or loss	Available for sale	Total	Fair value through profit or loss	Available for sale	Total
Balance on January 1	$ (1,737)	275,536	273,799	(1,310)	33,918	32,608
Recognized in profit or loss	26,287	(939)	25,348	(1,737)	634	(1,103)
Recognized in other comprehensive income	-	294,900	294,900	-	-	-
Transfer from Level 3 to Level 1	-	(551,600)	(551,600)	-	-	-
Acquisition / disposal	1,737	(1,600)	137	1,310	240,984	242,294
Balance on December 31	**$ 26,287**	**16,297**	**42,584**	**(1,737)**	**275,536**	**273,799**

(5) Fair value measurements using significant unobservable inputs (Level 3)

The fair value measurements of the Company which are categorized within Level 3 are classified as financial assets and liabilities at fair value through profit or loss – derivative financial instruments and available-for-sale financial assets – equity securities. The quantitative information about significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and fair value
Available-for-sale financial assets – equity securities not listed on emerging stock market	(note 1)	(note 1)	(note 1)
Financial assets and liabilities at fair value through profit or loss	(note 2)	(note 2)	(note 2)

note 1: The fair value is based on unadjusted prior trade prices, and therefore there is no need to show the sensitivity analysis of unobservable inputs.

note 2: The fair value is based on the quotation of a third party, and therefore there is no need to show the sensitivity analysis of unobservable inputs.

(x) Financial risk management

1. Briefings

The Company is exposed to the following risks arising from financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

2. Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors oversees the management's monitoring of the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The board of directors is assisted in its oversight role by an internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

3. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, accounts and other receivables (including related parties), and derivative instruments.

（1）Cash and cash equivalents

The Company had deposited $1,909,353 (including restricted deposits) in CTBC Bank and 3 other financial institutions, and $2,814,705 (including restricted deposits) in Industrial Bank of Taiwan and 4 other financial institutions, representing 7% and 12% of total assets, as of December 31, 2015 and 2014, respectively. The Company believes that there is no significant credit risk from the above-mentioned financial institutions.

（2）Accounts receivable

Sales to individual customers (including related parties) constituting over 10% of total revenue for the years ended December 31, 2015 and 2014, totaled 26% and 21%, respectively. As of December 31, 2015 and 2014, 15% and 16%, respectively, of the ending balance of accounts receivable (including accounts receivable – related parties) was accounted for by those customers. In order to reduce credit risk, the Company assesses the financial status of the customers and the possibility of collection of receivables on a regular basis. The above-mentioned customers are profitable and have a good credit record, and the Company did not suffer any significant credit loss from those customers during the financial reporting period.

（3）Derivative instruments

The Company entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Company believes that the risk that these financial institutions may default on these contracts is relatively low and anticipates no significant credit loss.

4. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company had unused short-term bank facilities of $7,110,042 and $6,259,200 as of December 31, 2015 and 2014, respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

（1）Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the functional currency. These transactions are denominated in USD.

The Company uses forward exchange contracts and foreign exchange swap contracts to hedge its currency risk. The Company makes performance reports and reviews operating strategy regularly, and believes that there is no significant risk because the gains or losses from exchange rate fluctuation will mostly be offset by the hedged item.

（2）Interest rate risk

The Company's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Company believes that cash flow risk arising from interest rate fluctuation is insignificant.

（y）Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, other equity, and non-controlling interests.

The Company sets its objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return to stockholders, to safeguard the interest of related parties, and to maintain an optimal capital structure to reduce the cost of capital.

The Company's debt ratio as of December 31, 2015 and 2014, was 62% and 59%, respectively.

（7）Related-party Transactions

（a）The Company and its subsidiaries

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding		Description
			December 31,2015	December 31,2014	
The Company	Primax Industries (Cayman Holding) Ltd. (Primax Cayman)	Holding company	100.00%	100.00%	
The Company	Primax Technology (Cayman Holding) Ltd. (Primax Tech.)	Holding company	100.00%	100.00%	
The Company	Destiny Technology Holding Co., Ltd. (Destiny BVI.)	Holding company	100.00%	100.00%	
The Company	Primax Destiny Co., Ltd. (Destiny Japan)	Market development and customer service	100.00%	100.00%	
The Company	Primax Electronics Korea Co., Ltd. (Primax Korea)	Market development and customer service	100.00%	100.00%	
The Company	Diamond (Cayman) Holdings Ltd. (Diamond)	Holding company	100.00%	100.00%	
The Company	Gratus Technology Corp. (Gratus Tech.)	Market development and customer service	100.00%	-%	Gratus Tech. was incorporated in March 2015.
The Company	Global TEK Co., Ltd. (Global TEK)	Manufacture and sale of sophisticated machinery components, automotive parts, industrial automation parts, communication parts and aerospace components	30.00%	-%	(note 2)
Primax Cayman	Primax Industries (Hong Kong) Ltd. (Primax HK)	Export and import trading	100.00%	100.00%	
Diamond	Tymphany Worldwide Enterprises Ltd. (TWEL)	Holding company	70.00%	70.00%	(note 1)
Global TEK	Global TEK Fabrication Co., Ltd. (GT)	Manufacture of sophisticated machinery components and automotive parts	100.00%	-%	(note 2)
Global TEK	Global TEK Fabrication Co., Ltd. (Samoa) (GTF-S)	Holding company	100.00%	-%	(note 2)
Primax HK and Primax Tech.	Dongguan Primax Electronic & Telecommunication Products Ltd. (PCH2)	Manufacture of multifunctional peripherals, computer mice, mobile phone accessories, consumer electronics products, and shredders	100.00%	100.00%	
Primax HK	Primax Electronics (KS) Corp., Ltd. (PKS1)	Manufacture of computer peripherals and keyboards	100.00%	100.00%	

Name of investor	Name of subsidiary	Principal activities	Percentage of shareholding December 31,2015	Percentage of shareholding December 31,2014	Description
Primax HK	Primax Electronics (Chongqing) Corp., Ltd. (PCQ1)	Manufacture of computer peripherals and keyboards	100.00%	100.00%	
Primax Tech.	Polaris Electronics Inc. (Polaris)	Sale of multi-function printers and computer peripheral devices	100.00%	100.00%	
Destiny BVI.	Destiny Electronic Corp. (Destiny Beijing)	Research and development of computer peripheral devices and software	100.00%	100.00%	
TWEL	Tymphany HK Ltd. (TYM HK)	Sale of audio accessories, amplifiers and their components	100.00%	100.00%	(note 1)
TWEL	TYP Enterprises, Inc. (TYP)	Market development and customer service of amplifiers and their components	100.00%	100.00%	(note 1)
TYM HK	Premium Loudspeakers (Hui Zhou) Co., Ltd. (Premium Hui Zhou)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	100.00%	100.00%	(note 1)
TYM HK	Tymphany Australia Pty Ltd. (TYM Australia)	Research and development, design, and sale of audio accessories, amplifiers and their components	-%	100.00%	TYM Australia was closed and finished the liquidation process in August 2015.
TYM HK	TYMPHANY LOGISITCS, INC. (TYML)	Sale of audio accessories, amplifiers and their components	100.00%	-%	TYML was incorporated in May 2015.
TYM HK	Dongguan Tymphany Acoustic Technology Co., (Tymphany Dongguan)	Manufacture, research and development, design, and sale of audio accessories, amplifiers and their components	100.00%	-%	Tymphany Dongguan was incorporated in September 2015
GT	GP Tech, Inc. (GP)	Sale of automotive parts, industrial automation parts, communication parts and aerospace components	100.00%	-%	(note 2)
GTF-S	Global TEK Fabrication Co., Ltd. (HK) (GTF-HK)	Holding company	100.00%	-%	(note 2)
GTF-S	Global TEK Co., Ltd. (Samoa) (GTS)	Holding company	100.00%	-%	(note 2)
GTF-HK	WUXI GLOBAL TEK FABRICATION CO., LTD. (WUXI GLOBAL TEK)	Manufacture of sophisticated machinery components	100.00%	-%	(note 2)
GTS	GLOBAL TEK (XI' AN) CO., LTD. (GLOBAL TEK XI' AN)	Manufacture of industrial automation parts, communication parts and aerospace components	100.00%	-%	(note 2)
GTS and WUXI GLOBAL TEK	GLOBAL TEK CO. (WUXI), LTD. (GLOBAL TEK WUXI)	Manufacture of sophisticated machinery components and automotive parts	100.00%	-%	(note 2)

Note 1: TWEL was incorporated in October 2013, acquiring all shares of TYM HK by issuing new common stock. The Company acquired 70% of the shares of TWEL by cash through its subsidiary Diamond on January 10, 2014. Therefore, the Company indirectly acquired all shares of TWEL's subsidiaries, and included them in the consolidated financial statements from the same date.

Note 2: The Company acquired 30% of the shares of Global TEK by cash on January 5, 2015. Therefore, the Company indirectly acquired all shares of Global TEK's subsidiaries. The Company has control over its relevant activities by acquiring more than 50% of the board of directors' voting rights based on the resolution of its interim meeting of shareholders held on February 13, 2015. The Company included all Global TEK's subsidiaries in the consolidated financial statements from the same date. Before the Company has control, investments in subsidiaries are accounted for using the equity method.

(b) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Company and its subsidiaries.

(c) Related-party transactions

1. Sales

The amounts of significant sales by the Company to related parties and the outstanding balances were as follows:

	Sales 2015	Sales 2014	Accounts receivable – related party December 31, 2015	Accounts receivable – related party December 31, 2014
Subsidiaries	$ 6,264,761	4,552,898	2,052,505	1,102,500

The sales prices for related parties and other customers were not significantly different. The credit terms for other customers are within 90 days, but they can be lengthened for related parties.

The Company's sales of products to subsidiaries' customers on behalf of its subsidiaries amounted to $1,209,503 and $2,203,836 for the years ended December 31, 2015 and 2014, respectively. Related sales and purchases were eliminated and recorded on a net basis.

2. Purchases

The amounts of significant purchases by the Company from related parties and the outstanding balances were as follows:

	Purchases 2015	Purchases 2014	Accounts payable – related party December 31, 2015	Accounts payable – related party December 31, 2014
Subsidiaries	$ 49,233,250	38,664,339	11,340,202	8,026,918

The prices of purchases were determined based on the cost plus a reasonable profit margin. The payment terms of related parties and other vendors are 60 days and 45 to 90 days, respectively.

3. Purchase of service

The amounts of purchase of service by the Company from related parties and the outstanding balances were as follows:

	Purchase of service 2015	Purchase of service 2014	Other payables December 31, 2015	Other payables December 31, 2014
Subsidiaries	$ 45,293	67,377	3,490	6,505

4. Receivable and payable on behalf of related parties

The other payables arising from receiving the equipment subsidy on behalf of subsidiaries amounted to $60,958 as of December 31, 2015.

The other receivables arising from the materials purchase on behalf of the subsidiaries amounted to $17,018 as of December 31, 2015.

5. Guarantees and endorsements

The amounts of guarantee the Company provided to related parties were as follows:

	December 31, 2015	December 31, 2014
Purchasing of raw materials	$ 384,227	51,192
Bank loans	-	1,106,000
	$ 384,227	1,157,192

(d) Key management personnel compensation

	2015	2014
Short-term employee benefits	$ 123,092	63,291
Post-employment benefits	721	755
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	15,124	7,690
	$ 138,937	71,736

Please refer to note 6(p) for information related to share-based payments.

(8) Pledged Assets: None

(9) Commitments and Contingencies

(a) Please refer to notes 7 and 13 for guarantees and endorsements provided to related parties.

(b) Guarantee notes provided as part of agreements with banks to sell its accounts receivable and to acquire long-term borrowings were as follows:

	December 31, 2015	December 31, 2014
Sales of accounts receivable	$ 2,874,690	2,891,000
Long-term borrowings	$ 2,160,000	5,404,000

(10) Loss Due to Major Disasters: None

(11) Subsequent Events: None

(12) Others

The following is a summary statement of current-period employee benefit, depreciation, and amortization expenses by function:

	2015			2014		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	121,905	1,209,513	1,331,418	113,803	1,106,082	1,219,885
Labor and health insurance	6,190	66,821	73,011	4,935	59,249	64,184
Pension	3,415	38,846	42,261	3,100	36,183	39,283
Others	4,040	57,451	61,491	3,658	44,276	47,934
Depreciation	10	15,801	15,811	10	12,430	12,440
Amortization	-	17,628	17,628	-	25,404	25,404

The average number of the Company's employees for the years ended December 31, 2015 and 2014, was 752 and 701, respectively.

(13) Segment Information

Please refer to the Company's consolidated financial statements for the years ended December 31, 2015 and 2014, for details.

6. The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the most recent year and as of the printing date of the annual report: None

VII. Review and analysis of the financial status and financial performance, and risk management

1. Financial status

Unit: NT$1,000

Item \ Year	2015	2014	Difference	
			Amount	%
Current assets	30,413,161	23,078,336	7,334,825	31.78
Investment	-	-	-	-
Fixed assets	6,284,023	3,935,145	2,348,878	59.69
Intangible assets	3,322,191	2,916,644	405,547	13.90
Other assets	1,712,358	1,093,648	618,710	56.57
Total assets	41,731,733	31,023,773	10,707,960	34.52
Current liabilities	26,154,964	19,254,757	6,900,207	35.84
Long-term liabilities	2,660,184	1,460,269	1,199,915	82.17
Total liabilities	28,815,148	20,715,026	8,100,122	39.10
Capital stock	4,427,051	4,385,481	41,570	0.95
Capital surplus	777,368	673,543	103,825	15.41
Retained earnings	4,660,556	3,686,641	973,915	26.42
Other equity	565,406	404,848	160,558	39.66
Non-controlling Interests	2,486,204	1,158,234	1,327,970	114.65

Unit: NT$1,000

Item / Year	2015	2014	Difference	
			Amount	%
Total shareholders' equity	12,916,585	10,308,747	2,607,838	25.30

Significant changes as follows:

(1) Increase of current assets from the previous period: It was mainly due to the increase in cash, notes and accounts receivable, and inventories.

(2) Increase of fixed assets from the previous period: It was mainly due to the increase of fixed assets through merging Global TEK.

(3) Increase of other assets from the previous period: It was mainly due to the increase of available-for-sale financial assets – non-current as a result of acquiring stock shares of YIHFENG, a non-listed (non-OTC) company.

(4) Increase of total assets from the previous period: It was mainly due to the increase of all assets through merging Global TEK.

(5) Increase of current liabilities from the previous period: It was mainly due to the increase of notes payable and accounts payable.

(6) Increase of long-term liabilities from the previous period: It was mainly due to the increase of future amortization deferred subsidy income of manufacturer's equipment subsidy acquired by the consolidated company.

(7) Increase of total liabilities from the previous period: It was mainly due to the increase of notes payable and accounts payable.

(8) Increase of retained earnings from the previous period: It was mainly due to the increase of earnings as a result of the good profitability of the consolidated company.

(9) Increase of other equity from previous the period: It was mainly due to the increase of available-for-sale financial assets unrealized gains and losses.

(10) Increase of non-controlling interests from the previous period: It was mainly due to the increase of non-controlling interests obtained from merging Global TEK.

(11) Increase of total stockholders' equity from the previous period: The good profit position and high earnings of the acquires and the acquisitions of additional non-controlling interests through merger. .

In summary, the operation performance of the company in current fiscal year is much better than the previous period with the growth of operating incomes and return on investments. The stable injection of cash flow contributed to the increase of shareholders' equity, to the extent that the company can maintain healthy financial structure.

2. Financial performance

(1) The financial performance analysis in the last two years

Unit: NT$1,000

Item / Year	2015	2014	Amount increase or decrease	(%)
Net Sales	65,589,293	52,239,777	13,349,516	25.55
Operating costs	58,448,955	46,020,978	12,427,977	27.01
Gross profit	7,140,338	6,218,799	921,539	14.82
Operating expense	4,972,156	4,389,057	583,099	13.29
Operating income	2,168,182	1,829,742	338,440	18.50
Non-operating income and expense	304,771	217,839	86,932	39.91
Continuing operations income before tax	2,472,953	2,047,581	425,372	20.77
Income tax expense (benefit)	656,018	438,614	217,404	49.57
Continuing operations income after tax	1,816,935	1,608,967	207,968	12.93

Description of items with significant changes (changes exceeding 20% over two periods and for an amount over NT$10 million):

1. Increase of net sales from the previous period: It was mainly due to the booming sales of notebook touch panel related products, and the increasing demand for gaming series of notebook peripheral products, so the sales of the Company's PC peripheral business groups are growing. On the other hand, benefited from the stable growth of global information and communications commodity and mobile phone market penetration, so the demand for camera modules is also growing significantly and the revenues of the Company's related products is also growing.
2. Increase of non-operating income from the previous period: It was mainly due to the increase of exchange gains from the previous period.
3. Increase of continuing operations income before tax from the previous period: The rise in gross margin that brought about an increase of operating incomes.
4. Increase of income tax expense from the previous period: It was mainly due to the increase of net income before tax of the continuing operations.

(2) Expected sales within the year and its basis, and the possible impact on the Company's future financial operations and the responsive plan

The Company sales forecast is based on the industrial environment and future market supply and demand; also, taken into account the business development, current purchase orders status, production base capacity planning, etc. For the sales forecast of each major product in 2016, in terms of PC peripherals business unit, product sales will likely remain the same or grow slightly, while the non-PC peripherals business unit is expected to grow steadily due to the effect of global information and communications commodity and mobile phone market development and market demand for electro-speaker products. Currently, the Company has sound financial structure and excellent business constitution. The Company's proprietary funds and the net cash inflow from operating activities are sufficient to support the demand for working capital and capital expenditure needs resulted from revenue growth.

3. Cash flow

(1) The changes in cash flow analysis in the most recent year (2015)

Unit: NT$1,000

Cash balance 12.31.2014	Net cash provided by operating activities in 2015	Net cash used in investing and financing activities in 2015	Cash balance 12.31.2015	Remedy for liquidity shortfall	
				Investment plan	Financing plan
6,814,023	5,022,351	809,357	7,623,380	–	–

Analysis of the changes in cash flow in the most recent year:

(1) Operating activities: Net cash inflow from operating activities amounted to NT$5,022,351 thousand, mainly due to the increase of profit, notes and accounts payable.

(2) Investing activities: Net cash outflow from investing activities amounted to NT$1,974,604 thousand, mainly due to merging Global TEK and acquiring additional property, plant and equipment.

(3) Financing activities: Net cash outflow from financing activities amounted to NT$2,227,894 thousand, mainly due to the repayment of short-term loans and long-term loans, and the distribution of cash dividends.

(2) Improvement plan for inadequate liquidity: The Company is without any inadequate liquidity that has occurred in the most recent year.

(3) Cash Flow Analysis within the year (2016)

Unit: NT$1,000

Cash balance 12.31.2015	Net cash provided by operating activities in 2015	Net cash used in investing and financing activities in 2015	Cash balance	Remedy for liquidity shortfall	
				Investment plan	Financing plan
7,623,380	3,947,261	841,173	8,464,553	–	–

1. Analysis of changes in cash flow within the year:

(1) Operating activities: Net cash inflow from operating activities is expected to be NT$3,947,261 thousand, mainly due to the expected profits in the period.

(2) Investing activities: Net cash outflow from investing activities is expected to be NT$1,467,076 thousand, mainly due to the expected acquisition of plant and equipment.

(3) Financing activities: Net cash outflow from financing activities is expected to be NT$1,639,012 thousand, mainly due to the repayment of long-term loans, and the distribution of cash dividends.

2. Improvement plan for expected cash deficiency and liquidity analysis: There is no cash deficiency expected; therefore, it is not applicable.

Note: The financial data of the year (2016) are a consolidated amount.

4. The impact of major capital expenditures on financial business in the most recent year: None

5. Investment policy in the most recent year, main reason for its profits or losses, improvement plan and the investment plans within the year

(1) Investment policy

The Company's management team for the operational requirements and future strategic development has professional information provided by the responsible units. The Finance and Management Office is to have data collected and proposals presented to the responsible supervisor. For the investment proposals presented, the history and prospect of the invested company, market conditions and business constitution should be assessed for the reference of the decision-maker in making investment decisions.

(2) The main reason for investment profits or losses and the improvement plans in the most recent year

12.31.2015 / Unit: NT$1,000

Item / Remarks	Amount of profit (loss) in 2015	The main reason for the profit or loss generated	Improvement plan
Primax Industries (Cayman Holding) Ltd.	507,448	Normal operation	—
Primax Technology (Cayman Holding) Ltd.	100,443	Normal operation	—
Destiny Technology Holding Co., Ltd	22,379	Normal operation	—
Destiny Technology (Japan) Corporation	426	Normal operation	—
Primax Electronics Korea Co., Ltd	145	Normal operation	—
Dimond (Cayman)Holdings Ltd.	111,356	Normal operation	—
Global Tek Fabrication	12,784	Normal operation	—
Gratus Technology Corp.	111	Normal operation	—
Primax Industries (Hong Kong) Ltd.	574,450	Normal operation	—
Polaris Electronics Inc.	11,248	Normal operation	—
Tymphany Worldwide Enterprises Ltd	53,162	Normal operation	—
Tymphany HK Ltd	191,857	Normal operation	—
TYP Enterprises Ltd	2,079	Normal operation	—
TYMPHANY LOGISTICS, INC	20,843	Normal operation	—
Global Tek Co., Ltd	(19,046)	Normal operation	—
Global TEK Fabrication Co., Ltd. (Samoa)	113,194	Normal operation	—
GP Tech, Inc.	(1,767)	Normal operation	—
Global TEK Co., Ltd (Samoa)	93,878,	Normal operation	—
Global TEK Fabrication Co., Ltd. (HK)	21,003	Normal operation	—
Dongguan Primax Electronic Telecommunication Products Ltd.	359,434	Normal operation	—
Beijing Destiny Electronic Technology Ltd	22,379	Normal operation	—
Primax Electronics (Kunshan) Corp., Ltd.	97,672	Normal operation	—
Primax Electronics (Chongqing) Corp., Ltd.	108,001	Normal operation	—
Premium Loudspeakers (Huizhou) Co., Ltd.	72,838	Normal operation	—
Dongguan Tymphany Acoustic Technology Co., Ltd	(868)	Normal operation	—
WUXI GLOBAL TEK FABRICATION CO., LTD	6,106	Normal operation	—
GLOBAL TEK (XI'AN) CO., LTD	3,487	Normal operation	—
GLOBAL TEK (WU'XI) CO., LTD	28,917	Normal operation	—

Note: The amount in the 2015 financial statements audited by the CPAs

6. Risk analysis and evaluation

(1) Impact of changes in interest rates and exchange rates and inflation on the Company's profit or loss and future responsive measures

1. Changes in exchange rate

The Company's revenue-based business is targeting on exporting business. The exporting products are mainly quoted in US dollars; also, the Company's transactions conducted with overseas suppliers and the purchase of machinery equipment from overseas suppliers are denominated in US dollars too, resulting in mutual offset effect, so it provides a natural hedging effect against changes in the exchange rate. The Company's 2015 net foreign exchange gain amounted to NT$354,082 thousand, accounted for 0.54% of net operating income. Therefore, the overall foreign exchange does not constitute a risk factor burden on the profit status. However, the Company in response to the risk of changes in the exchange rate on the Company's profit or loss, in addition to using spot and forward foreign exchange transactions for foreign exchange hedging, will continue to monitor changes in the exchange rate and the foreign exchange positions within the Company; also, will maintain foreign currency assets and liabilities balanced in order to avoid the risk of changes in exchange rates and reduce the impact of changes in exchange rate on the Company's profit and loss.

2. Changes in interest rate

The consolidated company's 2015 interest expense accounted for 0.24% of the annual revenues, indicating that such interest expense had no significant impact on the consolidated company's profits and losses. In addition, the Company regularly assesses bank loan interest rates and maintains good relations with banks in order to obtain more favorable interest rates and to reduce interest expenses.

3. Inflation

According to the announcement of the Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, R.O.C. (Taiwan), the 2015 Consumer Price Index (CPI) rose by 0.14%, the Wholesale Price Index (WPI) dropped by 7.30%, indicating that there was no significant inflation occurred, which had no significant impact on the Company's December 2015 profit and loss. The Company always pays attention to fluctuations in market prices and will have sales price and raw materials and inventory adjusted accordingly; however, there was no significant impact that occurred as a result of inflation.

(2) The policy of engaging in high-risk, highly leveraged investments, loans to others, endorsements and guarantees, and derivative products, the main reason for the profit or loss, and future response measures

1. Engaged in high-risk and highly leveraged investments

The Company focuses on its business management without engaging in high-risk investments and has never engaged in any highly leveraged investment.

2. Engaged in the loaning of funds and making of endorsement and guarantee

The Company had arranged the loaning of funds and making of endorsements/guarantees for the 100% owned subsidiaries for the need of business dealings in the most recent year and as of the printing date of the annual report. The Company's loaning of funds and making of endorsements/guarantees are handled according to the policies and response measures enacted in accordance with the Company's "Procedures for Loaning of Funds" and "Procedures for Making of Endorsement/Guarantee;" also, the related operations are processed prudently with the possible risks and relevant regulations considered.

3. Derivative products trading

The Company had the derivatives transactions assessed carefully. The operations of any derivatives trading is aimed to help improve business performance and reduce the Company's operations and financial risks; also, it is processed in accordance with the "Procedures for Acquisition or Disposal of Assets" and scope of authorization.

(3) Future research and development plans and the expected R&D expenses

1. Future R&D plans

The Company's products mainly include PC peripheral products, mobile devices components, and MFP and digital home products. The Company's future development plan is to continue cooperating with international companies and forming a strategic partnership with newly established companies, focusing on the game mouse, keyboard and keyboard module, multi-color backlit module, dual-lens phone camera module, computer built-in camera module, Bluetooth and wireless headphone related products, MFP scanning module, inkjet and laser MFP, automotive electronics, automated production lines, networked audio equipment, artificial intelligence home appliances, smart health and smart home technology products, to further enhance the Company's research and development capabilities in order to increase the market share of the Company's products and to help the Company's products be more internationalized and competitive.

2. Expected R&D expenses

The Company's expected R&D expenses are based on the progress of new products and new technology development; also, maintain a certain percentage of growth depending on future operating conditions in order to ensure the Company's competitive advantage. The Company plans to invest in R&D for around NT$2.3 billion in 2016.

(4) The impact of changes in domestic and foreign policies and law on the Company's financial operations and responsive measures:

The Company has operated business in compliance with the governing regulations of the domestic and foreign invested companies. The related personnel also pay attention to changes in the law and regulations for the reference of the management. Therefore, the Company is able to grasp any changes in policies and law domestically and internationally with effective response initiated.

(5) The impact of changes in technologies and industry on the Company's financial business and the responsive measures:

The Company pays attention to, collects and analyzes PC peripheral products, mobile devices components and products, and market and technology development of MFP and digital home products. In addition to reducing the impact of technological change, enhance the research and development of high value-added products with high margins in order to have the Company's products diversified and stabilized, and ensure a profit source. The Company with outstanding process technologies continues to expand the strategic alliance system in-depth and in-width with the existing customers from product design, production, logistics support, distribution and after-sales service in order to strengthen the mutual long-term co-existence and common prosperity. The technological and industrial changes do not have a significant impact on the Company's financial operations so far.

(6) The impact of changes in corporate image on the enterprise's crisis management and the responsive measures:

The Company has a good corporate image and is one of the leading suppliers for PC peripheral products, mobile device components, MFP and digital home products. Attract more talents and technologies into the Company with the complete personnel cultivation and training programs, together with staff-oriented humanity management. Build up the strength of the management team and feedback the operating results to shareholders and fulfill corporate social responsibilities. Also, the Company while pursuing maximum shareholders' equity shall fulfill corporate social responsibility to lift up the Company's corporate image; therefore, there was not any incident occurred that was detrimental to the Company's corporate image in the most recent year and as of the printing date of the annual report.

(7) The expected benefits of the merger, possible risks and responsive measures: None.

(8) The expected benefits, possible risks, and response measures of plant expansion: None.

(9) The risks of centralized purchasing or sales and the response measures.

1. The risks of centralized purchase and the responsive measures

The Company, except for the finished product procurement, has retained two or more qualified suppliers for procurement in order to maintain purchase flexibility, ensure uninterrupted supply, and uphold bargaining advantage in order to achieve the goal of reducing cost. In summary, the Company has not faced any risks of centralized purchasing of raw materials or supply interruption.

2. The risks of centralized sale and the responsive measures

The Company's customers for sales are international well-known technology giants, a diversified clientele with stability. The top-ten customers accounted for 52% of the net revenues generated in 2015. For the top-ten customers, the proportion of sales to a single customer does not exceed 30% of the total sales; therefore, the Company did not have any centralized sales. The Company, in addition to maintaining good relations with the existing customers, actively develops new products to expand the market and customers for new products in order to have the customers dispersed and to minimize the risk of centralized sales.

(10) The impact of massive stock transfer or exchange by the directors, supervisors or major shareholders with more than 10% shareholdings on the Company, risks and responsive measures: None

(11) The impact of change in the Company's right to operate, risks and responsive measures: None

(12) Litigation or non-litigation events

1. For the Company's litigation, non-litigation, or administrative contentious event that have been sentenced or are currently under proceeding in the court of law in the last two years and as of the printing date of the annual report; also, the results may be significantly influential to shareholders' equity or securities prices, such indisputable fact, the subject amount, the litigation proceeding starting date, the main parties of the lawsuit and its current situation should be disclosed:

CSAA Insurance Exchange (USA) had sued the Company's affiliate, Polaris Electronics, Inc. and the customer, Woods Industries, Inc., in the Superior Court of California (USA) on November 18, 2013 in accordance with product liability clause and had demanded compensation for fire damages by subrogation on behalf of the insured, Manuel Dias and Pamela Dias. The Company has reported it to the insurance company for record upon notice and has helped clarify the source of the product in question (Surge Protector) and necessary information. The case is still in the process of the California Superior Court of the United States.

Hui Jun Landscape Co., Ltd. of Dongguan City for the dispute over the Plant Stage III green plantation and the new plant green surroundings construction unpaid balance had appealed to the 1st People's Court of Dongguan City in July 2014 against the Company's affiliate, Dongguan PRIMAX Electronic Telecommunication Products Co., Ltd., to have a specific performance carried out for an amount of RMB 2,714,960.8.The Company after being informed of this incident had appealed to the court to have the execution postponed with a petition for re-trial filed with Dongguan Intermediate People's Court. However, Dongguan Intermediate People's Court denied the Company's petition for re-trial and the Company had appealed to Guangdong Higher People's Court and it was accepted accordingly. Guangdong Provincial Higher People's Court ruled on January 29, 2015 to have the case returned to Dongguan Intermediate People's Court for retrial, and ruled to suspend the execution of the original judgment during the retrial. The ruling of the re-trial was for the Company to pay a fine to Hui Jun Landscape Co., Ltd. of Dongguan City based on a computing base of RMB 292,650 plus interest accrued according to 130% of the bank interest rate for the similar accounts payable in the same period since April 20, 2012 to the debt liquidation date. However, Hui Jun Landscape Co., Ltd. of Dongguan City refused to accept the verdict of the re-trial and had appealed to Guangdong Province, Dongguan City, People's Prosecutor Office for supervisory review, but the Prosecutor Office did not support the protest and had the appeal dismissed.

The plaintiff, the couples of Millicent Lombardi and Anthony Lombardi, was injured by a paper shredder and had a lawsuit filed with Eastern District Court of New York State (USA) on October 27, 2015 against the Company's customer, ACCO Brands Corp. and its dealer, Staples, Inc., for damages. ACCO Brands Corp. and Staples, Inc. claimed that the paper shredder was manufactured by the Company and supplied to ACCO Brands Corp. for sales; therefore, a lawsuit was filed with Eastern District Court of New York State (USA) on April 14, 2016 against the Company for third party liability. The Company had notified the insurance company upon notice and was in the process of clarifying the source of products in question and related necessary information.

2. The litigation, non-litigation or administrative contentious event of the Company's directors, supervisors, general manager, active owner, shareholders with more than 10% shareholdings and the subsidiaries that have been or are currently under proceeding in the court of law in the last two years and as of the printing date of the annual report; also, the results may be significantly influential to shareholders' equity or securities prices: None

3. The Company's directors, supervisors, general manager and major shareholder with more than 10% shareholding had experienced any of the events defined in Article 157 of the Securities Exchange Act and the related process handled by the Company in the last two years and as of the printing date of the annual report: None

(13) Other important risks and response measures: None

7. Other important events: None

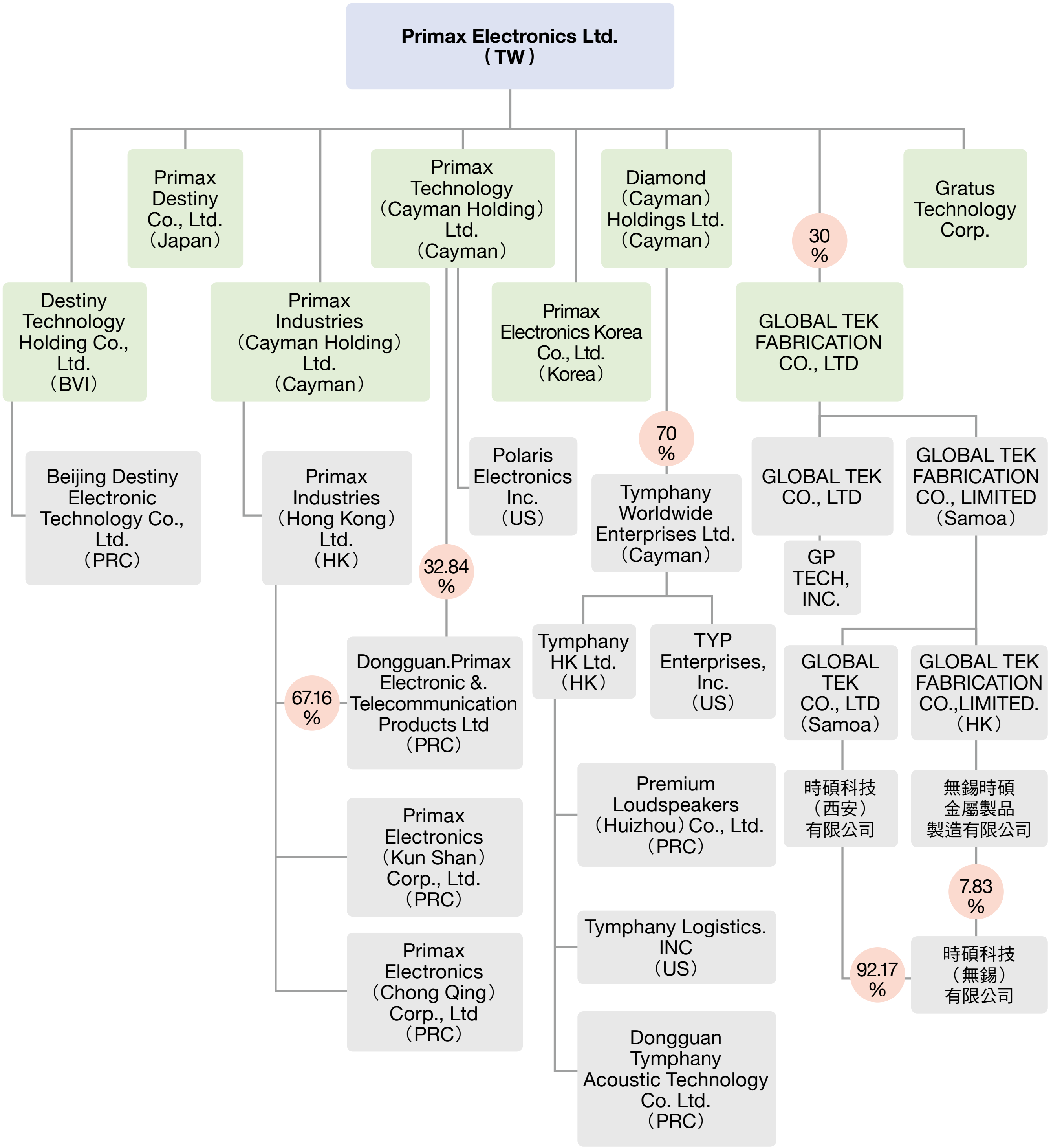
VIII. Special notes

1. Affiliated company's information

(1) Affiliated company's consolidated business report

(1) Affiliated company's overview

1. Affiliated company's organizational chart (12.31.2015)



2. Affiliated company's profile

Unit: NT$1,000 / 12.31.2015

Company Name	Establishment Date	Address	Paid-in capital	Principal businesses or production projects
Dongguan Primax Electronic & Telecommunication Products Ltd.	12.21.1995	B4079, Liu Wu Dao Section, Xincheng Qu, Shijie Chen, Dongguan City	2,270,762	Produce and sell PC peripherals, mobile device components, business equipment and other products.
Primax (Kunshan) Electronics Co., Ltd.	11.17.2009	No. 2688 Tong Xin Road, Yushan Zhen, Kunshan City	994,291	Produce PC peripheral products.
Primax Electronics (Chongqing) Corp. Ltd.	02.23.2011	No. 999, Building No. 1, Xing Guang Blvd, Yongcuan Qu, Chongqing City	638,152	Produce PC peripheral products.
Beijing Destiny Electronic Technology Corp., Ltd	03.24.1994	Suite 201-202, 2F., No. 10, He Fang Road, Dinghai District, Beijing	44,982	Research and develop PC peripheral products and business equipment.
Destiny Technology (Japan) Corp., Ltd	07.28.1995	6th Fl., Hamamatsucho MK Bldg., 1-4-12 Kaigan, Minato-ku, Tokyo 105-0022 JAPAN	6,858	Market development and customer service of PC peripherals, mobile device components, business equipment, other products of Market development, customer service, etc.
Primax Electronics Korea Co, Ltd.	07.02.2013	7F, SIGMA Tower, Olympic-Ro 289, Songpa-Gu, Seoul 138-734 KOREA	9,454	Market development and customer service of PC peripherals, mobile device components, business equipment, other products of Market development, customer service, etc.
Polaris Electronics, Inc.	04.24.1996	356 S. Milpitas Blvd, Milpitas. CA. 95035 USA	52,906	Market development and customer service of PC peripherals trading, mobile device components, business equipment, other products and Market development, customer service, etc.
Primax Industries (Hong Kong) Ltd.	05.19.1989	Rm.1520-21, 15/F., Block A, Hi-Tech Industrial Centre, 5-21 Pak Tin Par Street, Tsuen Wan, N.T., Hong Kong.	2,571,677	Trade PC peripherals, mobile device components, business equipment and other products.
Primax Technology (Cayman Holding) Ltd.	10.08.1997	2nd Floor, Midtown Plaza, Elgin Avenue, George Town, Grand Cayman KY1-1106, Cayman Islands.	942,602	Holding company
Primax Industries (Cayman Holding) Ltd.	10.24.1996	2F, Zephyr House, Mary St., PO. Box 709, George Town, Grand Cayman, Cayman Islands, British West Indies.	2,694,097	Holding company
Destiny Technology Holding Co., Ltd.	01.19.2001	Sealight House, Tortola, British Virgin Islands	34,719	Holding company
Diamond (Cayman) Holdings Ltd.	10.8.2013	P.O. Box 32052, The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman, KY1-1208 Cayman Islands.	2,779,197	Holding company
Tymphany Worldwide Enterprises Ltd.	10.29.2013	P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands.	550,010	Holding company
TYP Enterprises, Inc.	01.06.2014	1 Harbor Drive, Suite 209 Sausalito, CA94965	17	Market development and customer service of loudspeakers and their components.
Tymphany HK Ltd.	5.11.1995	ROOM 1307-8 DOMINION CENTRE. 43-59 QUEENS ROAD EAST, WANCHAI , HONG KONG	616,004	Sales of all types of audio accessories, speakers and components

VIII. Special notes

Unit: NT$1,000 / 12.31.2015

Company Name	Establishment Date	Address	Paid-in capital	Principal businesses or production projects
Premium Loudspeakers (Huizhou) Co., Ltd.	8.9.2004	Tymphany Industrial Zone, Xin Lian Village, Xinxu Zhen, Huiyang Qu, Huizhou, Guangdong	160,102	Manufacture, research and develop, design and sell various types of audio accessories, speakers and components.
TYMPHANY LOGISTICS, INC	04.29.2015	356 S. Milpitas Blvd, Milpitas. CA. 95035 USA	6,613	Sales of all types of audio accessories, speakers and components
Dongguan Tymphany Acoustic Technology Co., Ltd	09.06.2015	Liu Wu Dao Section, Xincheng Qu, Shijie Chen, Dongguan City	16,533	Manufacture, research and develop, design and sell various types of audio accessories, speakers and components.
Gratus Technology Corp	04.01.2015	356 S. Milpitas Blvd, Milpitas. CA. 95035 USA	9,920	Market development, customer service, etc.
Global Tek Fabrication	11.07.2008	15F., No.94, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221	551,000	Precision processing, industrial automation control components, communications components, aerospace equipment parts, etc.
Global Tek Co., Ltd	07.11.2000	15F., No.94, Sec. 1, Xintai 5th Rd., Xizhi Dist., New Taipei City 221	166,000	Precision processing, auto parts, etc.
GlobalTek Fabrication Co., Ltd. (Samoa)	10.06.2008	Offshore Chambers, P.O. Box 217, Apia, Samoa	413,325	Holding company
GlobalTek Co., Ltd. (Samoa)	12.22.2000	Offshore Chambers, P.O. Box 217, Apia, Samoa	304,207	Holding company
GlobalTek Fabrication Co., Ltd. (HK)	05.25.2007	1004 AXA Centre, 151 Gloucester Road, Wan Chai, Hong Kong	111,772	Holding company
GP Tech. Inc.	07.24.2000	South Cody Court Littleton, CO 80123	661	Sales of automotive components, industrial automation control components, communications components and aerospace equipment parts
GLOBAL TEK (WU'XI) CO., LTD	08.03.2001	No. 17-15, Changjiang South Road, Wuxi	297,594	Precision processing, auto parts, etc.
WUXI GLOBAL TEK FABRICATION CO., LTD	03.27.1993	New Century Industrial Park, Chengchar Bridage, Anzheng, Xishan District, Wuxi City	111,763	The development and production of low-power pneumatic control valve, pneumatic tools and spare parts, small air compressor and high-end hardware
GLOBAL TEK (XI'AN) CO., LTD	09.29.2004	#1, Export Processing Zone, Fengcheng 12th Road, Xi'an City Economic Development Zone	69,439	Industrial automation control components, communications components and aerospace equipment parts

3. A control and affiliation relationship according to Article 369.3 of the Company Law: None

4. The business scope of the overall affiliated companies and the interaction and division of work:
The primary business operations of the Company and its affiliated companies include PC peripherals and non-PC peripheral product design, manufacturing, processing, and sales. In general, the interaction and job division among the affiliated companies is to create maximum synergy through the mutual support of technology, production, marketing and services.

5. Information of all affiliated company's directors, supervisors and managers

12.31.2015

Company Name	Title	Name or representative
Dongguan Primax Electronic & Telecommunication Products Ltd.	Chairman	Primax Industries (Hong Kong) Ltd. & Primax Technology (Cayman Holding) Ltd. Representative: Lee, Chiu-Sheng
	Director	Primax Industries (Hong Kong) Ltd. & Primax Technology (Cayman Holding) Ltd. Representative: Ying, Chung-Wen
	Director	Primax Industries (Hong Kong) Ltd. & Primax Technology (Cayman Holding) Ltd. Representative: Chang, Chen-Deh
	General Manager	Lee, Chiu-Sheng
Primax (Kunshan) Electronics Co., Ltd.	Executive Director	Primax Industries (Hong Kong) Ltd. Representative: Yang, Hai-Hung
	Supervisors	Primax Industries (Hong Kong) Ltd. Representative: Chang, Chen-Deh
	General Manager	Lee, Chiu-Sheng
Primax Electronics (Chongqing) Corp. Ltd.	Executive Director	Primax Industries (Hong Kong) Ltd. Representative: Yang, Hai-Hung
	Supervisors	Primax Industries (Hong Kong) Ltd. Representative: Chang, Chen-Deh
	General Manager	Lee, Chiu-Sheng
Beijing Destiny Electronic Technology Corp. Ltd.	Chairman	Destiny Technology Holding Co., Ltd. Representative: Liang, Li-Sheng
	Director	Destiny Technology Holding Co., Ltd. Representative: Yang, Hai-Hung
	Director	Destiny Technology Holding Co., Ltd. Representative: Ying, Chung-Wen
	General Manager	Wang, Po-Ying
Destiny Technology (Japan) Corp. Ltd.	Director	Liu, Chia-Lun
	Director	Pan, Yung-Chung
	Director	Lee, Yi-Ping
	Supervisors	Wei, Hao-San
Primax Electronics Korea Co., Ltd.	Director	Shih, Chia-Ling
	Director	Pan, Yung-Chung
	Director	Liu, Chia-Lun
Polaris Electronics, Inc.	Director	Yang, Hai-Hung
	Director	Liang, Li-Sheng
Primax Industries (Hong Kong) Ltd.	Director	Liang, Li-Sheng
	Director	Yang, Hai-Hung
Primax Technology (Cayman Holding) Ltd.	Director	Liang, Li-Sheng
	Director	Yang, Hai-Hung
	Director	Lee, Yi-Ping
Primax Industries (Cayman Holding) Ltd.	Director	Liang, Li-Sheng
	Director	Yang, Hai-Hung
	Director	Lee, Yi-Ping
Destiny Technology Holding Co., Ltd.	Director	Liang, Li-Sheng

12.31.2015

Company Name	Title	Name or representative
Diamond (Cayman) Holdings Ltd.	Director	Primax Electronics Ltd. Representative: Liang, Li-Sheng Lee, Yi-Ping
Tymphany Worldwide Enterprises Ltd.	Director	Diamond (Cayman) Holdings Ltd. Representative: Liang, Li-Sheng Yang, Hai-Hung Pan, Yung-Chung Pan Yung-Tai United Industrial Development Limited Representative: Edward Townsend Boyd III Thomas Lee Jacoby
TYP Enterprises, Inc.	Director	Edward Townsend Boyd III Thomas Lee Jacoby Representative: Pan, Yung-Chung
Tymphany HK Ltd.	Director	Edward Townsend Boyd III Representative: Pan, Yung-Chung
Premium Loudspeakers (Huizhou) Co., Ltd	Director	Representative: Pan, Yung-Chung
TYMPHANY LOGISTICS, INC	Director	Liang, Li-Sheng
Dongguan Tymphany Acoustic Technology Co., Ltd	Director	Representative: Pan, Yung-Chung
GLOBAL TEK FABRICATION CO., LTD	Chairman	Liang, Li-Sheng (Representative of Primax)
	Director	Yang, Hai-Hung (Representative of Primax)
	Director	Huang, Ya-Hsing
	Director	Lo, Chun-Hao (Representative of Hao Chi Investment Co.)
	Director	Liu, Tsu-Ying (Representative of Primax)
	Director	Liu, Guang-Hung (Representative of Primax)
	Director	Kao, Hsiung-Shen (Representative of Gains Investment Corp.)
	Supervisors	Liu, Tsu-Lien
GLOBAL TEK CO., LTD	Chairman	Liu, Guang-Hung (Representative of Global TEK)
	Director	Liu, Tsu-Ying (Representative of Global TEK)
	Director	Huang Hao (Representative of Global TEK)
	Director	Huang, Ya-Hsing (Representative of Global TEK)
Global TEK FABRICATION CO., LTD. (Samoa)	Director	Liu, Tsu-Ying
GLOBAL TEK CO., LTD. (Samoa)	Director	Huang, Ya-Hsing
Global TEK FABRICATION CO., LTD. (HK)	Director	Huang, Ya-Hsing
GLOBAL TEK (XI'AN) CO., LTD	Representative	Huang Hao
	Director	Huang, Ya-Hsing
	Director	Lo, Chun-Hao
GLOBAL TEK（WU' XI）CO., LTD	Representative	Huang Hao
	Director	Huang, Ya-Hsing
	Director	Liu, Guang-Hung
WUXI GLOBAL TEK FABRICATION CO., LTD	Representative	Huang Hao
	Director	Huang, Ya-Hsing
	Director	Liu, Guang-Hung
GP TECH INC.	Director	Huang, Ya-Hsing
Gratus Technology Corp.	Director	Liang, Li-Sheng
	Director	Yang, Hai-Hung

（2）Affiliated company's operation overview

Unit: NT$1,000 / 12.31.2015

Company Name	Capital amount	Total assets	Total liabilities	Net worth	Operating income	Operating income	Earnings in current period (After tax)	Earnings per share (NT$) (After tax)
Dongguan Primax Electronic &Telecommunication Products Co., Ltd.	2,270,762	23,445,386	18,468,959	4,976,427	51,362,109	882,509	359,434	-
Primax Electronics (Kunshan)Co., Ltd.	994,291	1,206,725	274,344	932,381	1,748,413	71,460	97,672	-
Primax Electronics (Chongqing) Corp. Ltd.	638,152	2,221,106	1,485,802	735,304	3,994,408	82,205	108,001	-
Beijing Destiny Electronic Technology Co., Ltd.	44,982	53,291	20,352	32,939	133,315	312	22,379	-
Destiny Technology (Japan) Co., Ltd.	6,858	19,343	3,596	15,747	27,629	1,316	426	852
Polaris Electronics, Inc.	52,906	1,953,010	1,560,300	392,710	3,909,047	18,478	11,248	7.03
Primax Industries (Hong Kong) Ltd.	2,571,677	14,837,553	10,196,447	4,641,106	43,933,525	22,831	574,450	0.95
Primax Technology (Cayman Holding) Ltd.	942,602	2,126,734	-	2,126,734	-	-200	133,113	0.47
Primax Industries (Cayman Holding) Ltd.	2,694,097	4,777,670	121,491	4,656,179	449,427	-1,617	573,680	0.07
Destiny Technology Holding Co., Ltd.	34,719	32,943	-	32,943	-	-	22,379	21.31
Primax Electronics Korea Co., Ltd.	9,454	10,468	-	10,468	15,826	754	145	2.16
Diamond (Cayman) Holdings Ltd.	2,779,197	2,903,282	-	2,903,282	75,807	52,445	111,189	1.32
Tymphany Worldwide Enterprises Ltd.	550,010	1,281,816	10,081	1,271,735	94,691	-5,666	189,978	4.93
Tymphany HK Ltd.	616,004	4,220,630	2,955,969	1,264,661	6,270,205	185,052	191,857	1.33
TYP Enterprises, Inc.	17	22,633	20,405	2,228	111,850	4,551	2,079	4,158
Premium Loudspeakers (Huizhou) Co., Ltd.	160,102	1,726,020	1,217,147	508,873	3,819,029	81,264	104,055	-
Dongguan Tymphany Acoustic Technology Co., Ltd	16,533	12,625	111,801	14,824	-	-1,684	-1,240	-
Gratus Technology Corporation	9,920	10,231	191	10,040	5,806	329	111	0.37
Tymphany Logistics, Inc.	6,613	554,112	548,088	6,024	195,242	-570	-570	-2.85
Global Tek Fabrication Co., Ltd.	551,000	1,637,967	551,011	1,086,956	631,908	11,573	110,794	2.04
Global Tek Co., Ltd	166,000	634,130	532,608	101,522	772,337	-27,638	-19,046	-1.15
Global Tek Fabrication Co., Ltd (Samoa)	413,325	647,419	260	647,159	-	-28	115,341	Unincorporated
GP Tech Inc. (US)	661	963	1,957	-994	5,585	-1,556	-1,767	Unincorporated
Global Tek Co., Ltd. (Samoa)	304,207	541,717	30,009	511,708	-	-504	93,878	Unincorporated

Unit: NT$1,000 / 12.31.2015

Company Name	Capital amount	Total assets	Total liabilities	Net worth	Operating income	Operating income	Earnings in current period (After tax)	Earnings per share (NT$) (After tax)
Global Tek Fabrication Co., Ltd.(HK)	111,772	145,560	18,928	126,632	-	-42	21,003	Unincorporated
Global Tek (XI'AN) Co., Ltd	69,439	206,927	120,448	86,479	268,645	16,770	11,623	Unincorporated
Global Tek (WU'XI) Co., Ltd	297,594	1,104,220	554,406	549,814	1,192,816	140,760	96,389	Unincorporated
WUXI Global Tek Fabrication Co., Ltd	111,763	145,950	506	145,444	-	-4,572	20,354	Unincorporated

(2) Affiliated company's consolidated financial statements:

(1) Declaration of affiliated company's Consolidated Financial Statements: See Page 84

(2) Independent Auditor's Report on the affiliated company's consolidated financial statements: See Page 85 ~ 135.

(3) Relations Report: Not applicable

2. The process of private placement in the most recent year and as of the printing date of the annual report: None

3. The disposition of the Company's stock shares by the subsidiaries in the most recent year and as of the printing date of the annual report: None

4. Other supplementary information: None

5. The occurrence of the events affecting shareholders' equity or securities price as defined in Article 36, Paragraph 2 Section 2 of Securities Exchange Act in the most recent year and as of the printing date of the annual report: None

PRIMAX

Primax Electronics Limited

Chairman: Liang, Li-Sheng