

**INNOLUX CORPORATION**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND REPORT OF INDEPENDENT**  
**ACCOUNTANTS**  
**DECEMBER 31, 2014 AND 2013**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Innolux Corporation

We have audited the accompanying parent company only balance sheets of Innolux Corporation as of December 31, 2014 and 2013, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These parent company only financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these parent company only financial statements based on our audits. We did not audit the financial statements of certain investments accounted for under equity method for the year ended December 31, 2013. The long-term equity investments amounted to NT\$2,618,196,000 as of December 31, 2013, and the comprehensive income (including share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method and share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method) was NT\$451,716,000 for the year then ended. Those financial statements and the information disclosed in Note 13 were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 other independent accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent accountants, the parent company only financial statements referred to above present fairly, in all material respects, the

financial position of Innolux Corporation as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in conformity with the “Regulations Governing the Preparations of Financial Statements by Securities Issuers”.

Innolux Corporation’s current liabilities have exceeded its current assets by NT\$42,313,979,000 as of December 31, 2014. As set forth in Note 12(4), management has designed a turnaround plan to improve the Company’s operating efficiency.

PricewaterhouseCoopers, Taiwan

February 10, 2015

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The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

INNOLUX CORPORATION  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2014 AND 2013  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	2014	2013
<b>Current assets</b>			
Cash and cash equivalents	6(1)	\$ 55,543,195	\$ 27,604,892
Financial assets at fair value through profit or loss - current	6(2)	52,453	227,703
Available-for-sale financial assets - current	6(3)	220,000	-
Accounts receivable, net	6(5)	68,858,149	63,763,265
Accounts receivable, net - related parties	7	6,067,658	2,409,842
Other receivables		699,592	609,036
Other receivables - related parties	7	691,024	787,951
Inventory	6(6)	27,938,165	39,510,209
Prepayments		542,334	849,108
Other financial assets - current	8	2,250,035	2,485,841
Other current assets		12,542	26,684
<b>Total current assets</b>		<u>162,875,147</u>	<u>138,274,531</u>
<b>Non-current assets</b>			
Available-for-sale financial assets - non-current	6(3)	3,101,461	1,824,122
Investments accounted for under equity method	6(7)	73,096,389	67,860,212
Property, plant and equipment	6(8), 7 and 8	192,599,182	233,557,614
Investment property, net	6(9)	693,677	706,850
Intangible assets	6(10)	20,127,184	21,114,443
Deferred income tax assets	6(25)	17,575,426	17,835,399
Other financial assets - non-current	8	11,160,082	12,327,722
Other non-current assets		625,863	57,553
<b>Total non-current assets</b>		<u>318,979,264</u>	<u>355,283,915</u>
<b>Total assets</b>		<u>\$ 481,854,411</u>	<u>\$ 493,558,446</u>

(Continued)

**INNOLUX CORPORATION**  
**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	2014	2013
<b>Current liabilities</b>			
Short-term borrowings	6(11)	\$ 1,300,000	\$ 1,943,565
Financial liabilities at fair value through profit or loss - current	6(2)	605,016	689,097
Derivative financial liabilities for hedging - current	6(4)	1,351	-
Accounts payable		33,731,780	29,023,925
Accounts payable - related parties	7	85,171,012	81,977,746
Other payables	7 and 9	18,688,940	15,090,951
Provisions - current	6(15)	3,133,489	1,949,029
Long-term liabilities, current portion	6(12)	61,092,333	155,569,218
Other current liabilities		1,465,205	1,170,242
<b>Total current liabilities</b>		<u>205,189,126</u>	<u>287,413,773</u>
<b>Non-current liabilities</b>			
Derivative financial liabilities for hedging - non-current	6(4)	-	21,918
Long-term borrowings	6(12)	37,223,093	-
Deferred income tax liabilities	6(25)	477,579	909,708
Other non-current liabilities	6(13) and 9	11,274,550	12,169,818
<b>Total non-current liabilities</b>		<u>48,975,222</u>	<u>13,101,444</u>
<b>Total liabilities</b>		<u>254,164,348</u>	<u>300,515,217</u>
<b>Equity</b>			
<b>Share capital - common stock</b>	6(16)	99,545,364	91,094,288
<b>Capital surplus</b>	6(14)(17)	99,584,369	96,058,741
<b>Retained earnings</b>	6(18)		
Legal reserve		509,272	2,328,981
Special reserve		1,144,229	-
Unappropriated retained earnings		24,979,173	5,092,716
<b>Other equity interest</b>	6(19)	1,927,656	(1,531,497)
<b>Total equity</b>		<u>227,690,063</u>	<u>193,043,229</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>	9		
<b>Significant events after the balance sheet date</b>	6(12)(16) and 11		
<b>Total liabilities and equity</b>		<u>\$ 481,854,411</u>	<u>\$ 493,558,446</u>

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated February 10, 2015.

**INNOLUX CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

Items	Notes	2014	2013
<b>Sales revenue</b>	7	\$ 426,005,033	\$ 419,738,269
<b>Operating costs</b>	6(6)(23)(24) and 7	( 389,609,785)	( 392,206,451)
<b>Net operating margin</b>		<u>36,395,248</u>	<u>27,531,818</u>
<b>Operating expenses</b>	6(23)(24)		
Selling expenses		( 1,092,207)	( 1,105,609)
General and administrative expenses		( 3,451,341)	( 3,997,111)
Research and development expenses		( 11,412,260)	( 11,128,979)
<b>Total operating expenses</b>		<u>( 15,955,808)</u>	<u>( 16,231,699)</u>
<b>Operating profit</b>		<u>20,439,440</u>	<u>11,300,119</u>
<b>Non-operating income and expenses</b>			
Other income	6(20)	1,379,919	1,222,075
Other gains and losses	6(21)	( 3,418,822)	( 8,950,438)
Finance costs	6(22)	( 2,721,239)	( 4,369,834)
Share of profit of subsidiaries and associates accounted for under equity method		<u>5,998,536</u>	<u>5,233,229</u>
<b>Total non-operating income and expenses</b>		<u>1,238,394</u>	<u>( 6,864,968)</u>
<b>Profit before income tax</b>		<u>21,677,834</u>	<u>4,435,151</u>
Income tax expense	6(25)	( 1,075)	667,417
<b>Profit for the year</b>		<u>\$ 21,676,759</u>	<u>\$ 5,102,568</u>
<b>Other comprehensive income</b>			
Financial statements translation differences of foreign operations		\$ 3,087,368	\$ 2,703,765
Unrealized gain (loss) on valuation of available-for-sale financial assets	6(3)	103,510	( 223,008)
Cash flow hedges	6(4)	( 278,458)	79,477
Actuarial loss on defined benefit plan	6(13)	( 55,790)	( 11,870)
Share of other comprehensive income of associates and joint ventures accounted for under equity method		<u>263,095</u>	<u>275,902</u>
Income tax relating to the components of other comprehensive income	6(25)	<u>48,369</u>	<u>26,242</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>\$ 3,168,094</u>	<u>\$ 2,850,508</u>
<b>Total comprehensive income for the year</b>		<u>\$ 24,844,853</u>	<u>\$ 7,953,076</u>
<b>Earnings per share (in dollars)</b>	6(26)		
Basic earnings per share		<u>\$ 2.31</u>	<u>\$ 0.57</u>
Diluted earnings per share		<u>\$ 2.28</u>	<u>\$ 0.57</u>

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated February 10, 2015.

**INNOLUX CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Other equity interest				Total	
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealized gain (loss) on available-for-sale financial assets	Changes in gain (loss) on cash flow hedge		Employee unearned compensation
<b>2013</b>											
Balance at January 1, 2013		\$ 79,129,708	\$ 119,677,980	\$ 2,328,981	\$ -	(\$ 27,308,220)	(\$ 2,818,705)	(\$ 1,609,513)	\$ 423,629	\$ -	\$169,823,866
Capital surplus offset against accumulated deficit		-	( 27,308,220 )	-	-	27,308,220	-	-	-	-	-
Global depository receipt issued for cash	6(16)	11,250,000	3,269,051	-	-	-	-	-	-	-	14,519,051
Issuance of restricted stock to employees	6(14)	725,260	187,212	-	-	-	-	-	-	( 754,166 )	158,306
Cancellation of restricted stock to employees		( 10,680 )	10,680	-	-	-	-	-	-	-	-
Compensation related to share-based payment	6(14)	-	189,976	-	-	-	-	-	-	366,898	556,874
Changes in net equity of long-term equity investments		-	32,062	-	-	-	-	-	-	-	32,062
Profit for the year		-	-	-	-	5,102,568	-	-	-	-	5,102,568
Other comprehensive income for the year	6(19)	-	-	-	-	( 9,852 )	2,740,631	65,168	54,561	-	2,850,508
Balance at December 31, 2013		<u>\$ 91,094,288</u>	<u>\$ 96,058,741</u>	<u>\$ 2,328,981</u>	<u>\$ -</u>	<u>\$ 5,092,716</u>	<u>(\$ 78,074)</u>	<u>(\$ 1,544,345)</u>	<u>\$ 478,190</u>	<u>(\$ 387,268)</u>	<u>\$193,043,229</u>
<b>2014</b>											
Balance at January 1, 2014		\$ 91,094,288	\$ 96,058,741	\$ 2,328,981	\$ -	\$ 5,092,716	(\$ 78,074)	(\$ 1,544,345)	\$ 478,190	(\$ 387,268)	\$193,043,229
Capital issued for cash	6(16)	8,500,000	2,125,000	-	-	-	-	-	-	-	10,625,000
Appropriations of 2013 earnings:	6(18)										
Legal reserve		-	-	509,272	-	( 509,272 )	-	-	-	-	-
Special reserve		-	-	-	1,144,229	( 1,144,229 )	-	-	-	-	-
Cash dividends		-	-	-	-	( 90,495 )	-	-	-	-	( 90,495 )
Cash paid from capital surplus	6(18)	-	( 1,266,944 )	-	-	-	-	-	-	-	( 1,266,944 )
Capital surplus offset against accumulated deficit	6(18)	-	2,328,981	( 2,328,981 )	-	-	-	-	-	-	-
Cancellation of restricted stock to employees		( 48,924 )	48,924	-	-	-	-	-	-	-	-
Changes in restricted stock to employees		-	47,174	-	-	-	-	-	-	( 43,951 )	3,223
Compensation related to share-based payment	6(14)	-	289,523	-	-	-	-	-	-	288,704	578,227
Changes in net equity of long-term equity investments		-	( 47,030 )	-	-	-	-	-	-	-	( 47,030 )
Profit for the year		-	-	-	-	21,676,759	-	-	-	-	21,676,759
Other comprehensive income for the year	6(19)	-	-	-	-	( 46,306 )	3,161,022	284,498	( 231,120 )	-	3,168,094
Balance at December 31, 2014		<u>\$ 99,545,364</u>	<u>\$ 99,584,369</u>	<u>\$ 509,272</u>	<u>\$ 1,144,229</u>	<u>\$ 24,979,173</u>	<u>\$ 3,082,948</u>	<u>(\$ 1,259,847)</u>	<u>\$ 247,070</u>	<u>(\$ 142,515)</u>	<u>\$227,690,063</u>

Employees' bonus and directors' and supervisors' remuneration accrued at \$172,217 and \$4,004 had been deducted from the statement of comprehensive income for the year ended December 31, 2013.

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated February 10, 2015.

INNOLUX CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Expressed in thousands of New Taiwan dollars)

	Notes	2014	2013
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax for the year		\$ 21,677,834	\$ 4,435,151
Adjustments to reconcile net income to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation and amortization	6(23)	56,134,539	71,068,428
Compensation related to share-based payment	6(14)	578,227	556,874
Share of profit of subsidiaries and associates accounted for under equity method		( 5,998,536 )	( 5,233,229 )
Gain from disposal of investments	6(21)	( 452,613 )	( 18,366 )
Impairment loss	6(21)	-	204,721
(Gain) loss on disposal of property, plant and equipment	6(21)	( 22,568 )	6,065
Interest income	6(20)	( 126,493 )	( 112,782 )
Dividend income	6(20)	( 7,567 )	( 43,822 )
Interest expense	6(22)	2,998,473	4,318,564
Unrealized foreign exchange loss (gain)	6(21)	1,188,553	( 468,215 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets /liabilities at fair value through profit or loss		91,169	( 706,193 )
Accounts receivable		( 5,094,884 )	5,437,335
Accounts receivable - related parties		( 3,657,816 )	10,145,135
Other receivables		( 89,561 )	194,789
Inventories		11,572,044	( 4,133,091 )
Prepayments		306,774	( 580,008 )
Other current assets		14,142	( 9,872 )
Net changes in liabilities relating to operating activities			
Derivative financial liabilities for hedging		( 299,025 )	( 290,235 )
Accounts payable		4,707,855	( 22,695,791 )
Accounts payable - related parties		3,193,266	( 7,322,352 )
Other payables		4,125,260	( 8,943,611 )
Provisions - current		1,184,460	814,253
Other current liabilities		309,564	( 248,257 )
Other non-current liabilities		( 951,067 )	3,361,094
Cash generated from operations		91,382,030	49,736,585
Cash paid for income tax		( 1,075 )	-
Net cash provided by operating activities		<u>91,380,955</u>	<u>49,736,585</u>

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**INNOLUX CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2014	2013
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Decrease in other receivables - related parties		\$ 96,927	\$ 547,891
Acquisition of available-for-sale financial assets		( 135,456 )	( 292,854 )
Proceeds from disposal of available-for-sale financial assets		167,288	201,107
Proceeds from disposal of financial assets carried at cost - non-current		-	192,758
Acquisition of investment accounted for under equity method		( 753,906 )	( 1,381,019 )
Proceeds from disposal of investment accounted for under equity method		1,550,113	3,557
Proceeds from capital reduction of investments accounted for under equity method		736,214	3,278,146
Acquisition of property, plant and equipment	6(27)	( 14,629,033 )	( 16,072,136 )
Decrease in other financial assets		440,446	877,470
Proceeds from disposal of property, plant and equipment		12,761	111,287
Increase in other non-current assets		( 568,172 )	( 13,819 )
Interest received		125,498	113,894
Dividends received		1,444,112	5,859,537
Net cash used in investing activities		( 11,513,208 )	( 6,574,181 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
(Decrease) increase in short-term borrowings		( 643,565 )	1,943,565
Decrease in short-term notes and bills payable		-	( 699,430 )
Payment of long-term borrowings		( 57,625,650 )	( 49,210,951 )
Payment of bonds payable		-	( 2,000,000 )
Decrease in accrued lease payments		-	( 980,000 )
Stock issued for cash	6(16)	10,625,000	14,519,051
Cash dividends paid		( 90,495 )	-
Cash paid from capital surplus		( 1,266,944 )	-
Proceeds from issuance of restricted stock to employees	6(14)	-	181,315
Repurchase from issuance of restricted stock to employees		( 7,754 )	( 8,260 )
Interest paid		( 2,920,036 )	( 4,239,118 )
Net cash used in financing activities		( 51,929,444 )	( 40,493,828 )
Increase in cash and cash equivalents		27,938,303	2,668,576
Cash and cash equivalents at beginning of year		27,604,892	24,936,316
Cash and cash equivalents at end of year		<u>\$ 55,543,195</u>	<u>\$ 27,604,892</u>

The accompanying notes are an integral part of these financial statements.  
See report of independent accountants dated February 10, 2015.

INNOLUX CORPORATION  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated )

1. HISTORY AND ORGANIZATION

(1) Innolux Corporation (the “Company”) was organized on January 14, 2003 under the Act for Establishment and Administration of Science Parks in Republic of China (R.O.C.). The Company was listed on the Taiwan Stock Exchange Corporation (the “TSEC”) in October 2006. The Company merged with TPO Displays Corporation and Chi Mei Optoelectronics Corporation on March 18, 2010, with the Company as the surviving entity.

(2) The Company is engaged in the research, development, design, manufacture and sales of TFT-LCD panels, modules and monitors of LCD, color filter, and low temperature poly-silicon TFT-LCD.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on February 10, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

None.

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011

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

Based on the Company’s assessment, the adoption of the 2013 version of IFRS has no significant impact on the parent company only financial statements of the Company, except the following:

A. IAS 19, ‘Employee benefits’

Under the revised standard, net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. Additional disclosures are also required.

B. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in other comprehensive income (OCI) classified by nature into two groups on the basis of whether they may be reclassified to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Company will adjust its presentation of the statement of comprehensive income.

### C. IFRS 12, 'Disclosure of interests in other entities'

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

### D. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. The standard requires disclosures about fair value measurements. Based on the Company's assessment, the adoption of the standard has no significant impact on its parent company only financial statements and the Company will disclose additional information about fair value measurements accordingly.

Based on the Company's assessment, the adoption of the 2013 version of IFRSs has no significant impact on the parent company only financial statements of the Company.

### (3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective Date by International Accounting Standards Board</u>
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016
The Company is assessing the impact of the new standards and interpretations above and the impact will be disclosed when the assessment is complete.	

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

These parent company only financial statements are prepared by the Company in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers.

##### (2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

##### (3) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The parent company only financial statements are presented in NTD, which is the Company's functional and presentation currency.

#### A.Foreign currency transactions and balances

- (a)Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.
- (b)Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c)Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d)All foreign exchange gains and losses are presented in the statement of comprehensive income under “other gains and losses”.

#### B.Translation of foreign operations

- (a)The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i.Assets and liabilities for each balance sheet presented are translated at the exchange rate prevailing at the dates of that balance sheet;
  - ii.Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period;
  - iii.All resulting exchange differences are recognized in other comprehensive income.
- (b)When a foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Company retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c)When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company retains

partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits and bonds sold under repurchase agreements that meet the above criteria and held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets held for trading or designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of sale in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

- (a) Hybrid (combined) contracts; or
- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are designated in this category. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

B. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income.

(8) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term accounts receivable which are non-interest bearing are subsequently measured at initial invoice amount as the effect of discounting is insignificant.

(9) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that an individual financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of an individual financial asset or group of financial assets that can be reliably estimated.

B. The objective evidence that the Company uses to determine whether there is an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(d) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

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

(10) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Investments accounted for under the equity method / subsidiaries / associates

A. Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies. In general, control is presumed when the parent owns, directly or indirectly, more than half of the voting power of an entity. The Company evaluates investments in subsidiaries accounted using equity method in these parent company only financial statements.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- E. When the Company loses its control in a subsidiary, the Company revalues the remaining investment in the prior subsidiary at fair value, and recognises the difference between fair value and book value in the profit or loss for the period. The Company should reclassify all amounts previously recognised as other comprehensive income and amounts relating to the prior subsidiary to profit or loss.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes all the change in equity in "capital surplus" in proportion to its ownership.
- I. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then "capital surplus" and "investments accounted for under the equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the

Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

K. When the Company loses its control in an associate, the Company revalues the remaining investment in the prior associate at fair value, and recognises the difference between fair value and book value in the profit or loss for the period.

L. When the Company disposes its investment in an associate and loses significant influence over the associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of.

M. When the Company disposes its investment in an associate and loses significant influence over the associate, capital surplus in relation to the associate is transferred to profit or loss; if it retains significant influence over the associate, the amounts are transferred in accordance with the disposal ratio to profit or loss.

N. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss when incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of property, plant

and equipment are as follows:

Buildings	3~50 years
Machinery and equipment	2~9 years
Others	2~6 years

(13) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 25~50 years.

(14) Intangible assets

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

B. Intangible assets, mainly patents, royalties and other intangible assets, are amortized on a straight-line basis over their estimated useful lives of 2~10 years.

(15) Impairment of non-financial assets

A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. Such recovery of impairment loss shall not result to the asset's carrying amount greater than its amortized cost where no impairment loss was recognized.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For impairment testing purpose, goodwill is allocated to cash generating units. This allocation is based on operating segments. Goodwill is allocated to a cash generating unit or a group of cash generating units that expects to benefit from business combination that will produce goodwill.

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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(17) Derivative financial instruments and hedging activities

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

B. The Company designates certain derivatives as either:

(a) Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge).

(b) Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

C. The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

D. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

E. Fair value hedge

(a) Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting for hedging foreign currency on long-term borrowings. The gain or loss relating to the effective portion of currency swaps hedging long-term borrowings denominated in foreign currency is recognized in the statement of comprehensive income within "finance costs". The gain or loss relating to the ineffective portion is recognized in the statement of comprehensive income within "other gains and losses". Changes in the fair value of the hedge long-term borrowings denominated in foreign currency attributable to interest rate risk are recognized in the statement of comprehensive income within "finance costs".

(b) If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

F. Cash flow hedge

(a) The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of

comprehensive income within “other gains and losses”.

- (b) Amounts accumulated in other comprehensive income are reclassified into profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of comprehensive income within “finance costs”.
- (c) When a hedging instrument expires, or is sold, cancelled or executed, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income. When a forecast transaction occurs or is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is transferred to profit or loss in the periods when the hedged forecast cash flow affects profit or loss.

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bond (at the balance sheet date).
- ii. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise.
- iii. Past service costs are recognized immediately in profit or loss if vested immediately; if not, the past service costs are amortized on a straight-line basis over the vesting period.

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

Employees' bonus and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should

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

(19) Employee share-based payment

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. Restricted stocks to employees:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period.

(b) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Company and the Company must refund their payments on the stocks. The Company recognizes the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognizes the payments from the employees who are expected to be eventually vested with the stocks in "capital surplus – others".

C. The grant date for the shares reserved for employee preemption in cash capital increase is the date on which the Company informs employees of the grant and both the Company and employees agree to the number of shares granted and the price for subscription.

(20) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(21) Revenue recognition

The Company manufactures and sells TFT-LCD panels. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities.

(22) Business combinations

A. The Company uses the acquisition method to account for business combinations. The Company chooses to measure the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquirer's identifiable net assets on an acquisition-by-acquisition basis.

B. If the total of the fair values of the consideration of acquisition and any non-controlling interest in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Company's share of the identifiable net assets acquired, the difference is recorded as goodwill; if less than the fair value of the Company's share of the identifiable net assets acquired, the difference is recognized directly in profit or loss.

(23) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these parent company only financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and

are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

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

Financial assets — impairment of equity investments

The Company follows the guidance of IAS 39 to determine whether a financial asset-equity investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the accumulated fair value adjustments recognized in other comprehensive income on the impaired “available-for-sale financial assets” is transferred to profit or loss.

(2) Critical accounting estimates and assumptions

The Company makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Company's subjective judgment, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units.

Please refer to Note 6(10) for the information on goodwill impairment.

B. Reliability of deferred income tax assets

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

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realizable value, the Company must determine the net realizable value of inventories on balance sheet date using judgments and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value.

D. Financial assets - fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Company that are not traded in an active market is determined considering those companies' recent fund raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgments and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash on hand and revolving funds	\$ 255	\$ 581
Checking accounts and demand deposits	40,578,940	25,816,011
Time deposits	<u>11,394,000</u>	<u>1,788,300</u>
	51,973,195	27,604,892
Cash equivalents - Repurchase Bonds	<u>3,570,000</u>	<u>-</u>
	<u>\$ 55,543,195</u>	<u>\$ 27,604,892</u>

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

B. The above time deposits and bonds with repurchase agreement expire in 3 months and risks of changes in their values are remote.

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

<u>Assets</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<u>Current items</u>		
Financial assets held for trading		
Forward foreign exchange contracts	<u>\$ 52,453</u>	<u>\$ 227,703</u>
<u>Liabilities</u>		
<u>Current items</u>		
Financial liabilities held for trading		
Forward foreign exchange contracts	<u>\$ 605,016</u>	<u>\$ 689,097</u>

A. The Company recognized net loss of \$883,120 and \$1,587,910 on financial assets held for trading for the years ended December 31, 2014 and 2013, respectively.

B.The non-hedging derivative financial assets and liabilities transaction information are as follows:

Derivative financial assets and liabilities	December 31, 2014			December 31, 2013		
	Contract Amount (Notional Principal)		Contract Period	Contract Amount (Notional Principal)		Contract Period
	(in thousands)			(in thousands)		
<u>Current items</u>						
Forward foreign exchange contracts	USD (sell)	\$ 425,000	2014/10~2015/3	USD (sell)	\$ 467,000	2013/10~2014/3
	JPY (buy)	48,580,180	2014/10~2015/3	JPY (buy)	47,065,250	2013/10~2014/3
Forward foreign exchange contracts	EUR (sell)	38,000	2014/10~2015/2	EUR (sell)	188,000	2013/10~2014/3
	USD (buy)	47,574	2014/10~2015/2	USD (buy)	256,665	2013/10~2014/3
				TWD (sell)	26,762,745	2013/12~2014/3
				USD (buy)	904,000	2013/12~2014/3

The Company entered into forward foreign exchange contracts to hedge exchange rate risk of import and export proceeds and foreign currency. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(3) Available-for-sale financial assets

Items	December 31, 2014	December 31, 2013
<u>Current items</u>		
Bond investments	\$ 220,000	\$ -
<u>Non-current items</u>		
Listed stocks and bond investments	\$ 2,537,965	\$ 1,150,866
Emerging and unlisted stocks	563,496	673,256
	\$ 3,101,461	\$ 1,824,122

A.The Company recognized gain in other comprehensive income for the fair value change for the years ended December 31, 2014 and 2013 in the amount of \$138,700 and \$211,410, respectively.

B.The counterparties of the Company's debt instrument investments have good credit quality, all with credit rating of twA+ above. The maximum exposure to credit risk at balance sheet date is the carrying amount of available-for-sale financial assets - debt instruments.

(4) Hedging derivative financial liabilities

Items	December 31, 2014	December 31, 2013
<u>Current item</u>		
Interest rate swap - cash flow hedges	\$ 1,351	\$ -
<u>Non-current item</u>		
Interest rate swap - cash flow hedges	\$ -	\$ 21,918

Cash flow hedges

Hedged Items	Designated as Hedging Instruments		Period of Anticipated Cash Flow	Period of Gain (Loss) Expected to be Recognised in Profit or Loss	
	Derivative Instruments Designated as Hedges	Fair Value			
		December 31, 2014			December 31, 2013
Long-term borrowings	Interest rate swap	(\$ 1,351)	(\$ 21,918)	2008~2015	

(a) The Company was exposed to significant risk of future cash flow changes on principal payments associated with the Company's floating interest rate bearing borrowings, both current and long-term portion. Therefore, the Company entered into interest rate swap contracts for exchanging floating interest rate for fixed interest rate (TWD90/180CP (Page51328) to hedge such exposures.

(b) Information about gain or loss arising from cash flow hedges recognized in profit or loss and other comprehensive income:

Items	Years ended December 31,	
	2014	2013
Amount of gain or loss adjusted in other comprehensive income	\$ 1,224	\$ 3,210
Amount of gain or loss transferred from other comprehensive income to profit or loss	277,234	( 82,687)

(c) The gain/(loss) relating to the ineffective portion of cash flow hedges recognized in profit or loss amounted to \$289 for the year ended December 31, 2013.

(5) Accounts and notes receivable

	December 31, 2014	December 31, 2013
Notes receivable	\$ 21,447	\$ 21,447
Accounts receivable	69,802,557	65,425,580
	69,824,004	65,447,027
Less: allowance for sales returns and discounts	( 827,583)	( 1,545,279)
allowance for bad debts	( 138,272)	( 138,483)
	<u>\$ 68,858,149</u>	<u>\$ 63,763,265</u>

A. The Company's accounts receivable that were neither past due nor impaired meet the credit ranking rule based on the counterparties' industrial characteristics scale of business and profitability.

B.The aging analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Up to 60 days	\$ 534,490	\$ 3,048,292
61 to 180 days	64,153	561,008
Over 180 days	<u>4,309</u>	<u>65,816</u>
	<u>\$ 602,952</u>	<u>\$ 3,675,116</u>

The above ageing analysis was based on past due date.

C.Movement analysis of accounts receivable and notes receivable that were impaired is as follows:

(a)As of December 31, 2014 and 2013, the Company's accounts receivable that were impaired were \$138,272 and \$138,483, respectively.

(b)Movement on allowance for bad debts for impairment loss based on individual provision is as follows:

	<u>2014</u>	<u>2013</u>
At January 1	\$ 138,483	\$ 117,036
Allowance for bad debts - reclassified	-	21,447
Allowance for bad debts - write-offs	( 211)	-
At December 31	<u>\$ 138,272</u>	<u>\$ 138,483</u>

D.The maximum exposure to credit risk was the carrying amount of each class of accounts receivable.

(6) Inventories

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Raw materials and supplies	\$ 1,780,875	\$ 1,985,689
Work in process	16,122,356	26,186,168
Finished goods	<u>10,034,934</u>	<u>11,338,352</u>
	<u>\$ 27,938,165</u>	<u>\$ 39,510,209</u>

Expenses and losses incurred on inventories for the years ended December 31, 2014 and 2013 are as follows:

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Cost of inventories sold	\$ 389,619,753	\$ 393,083,704
Reversal of allowance for scrap, obsolescence and price decline	( 383,000)	( 1,423,000)
Disposal loss and others	<u>373,032</u>	<u>545,747</u>
	<u>\$ 389,609,785</u>	<u>\$ 392,206,451</u>

The Company had disposed its expired and slow-moving inventories. Thus, the risk of reduction in the inventory's market price had been decreased and the net realizable value of inventories had been recovered.

(7) Investments accounted for under the equity method

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Landmark International Ltd.	\$ 41,425,623	\$ 36,005,637
Innolux Holding Ltd.	16,796,396	15,866,385
Toppoly Optoelectronics (B.V.I.) Ltd.	5,945,861	4,347,392
Innolux Hong Kong Holding Ltd.	2,393,227	2,164,447
InnoJoy Investment Corporation	1,670,083	1,721,618
Innolux Optoelectronics Japan Co., Ltd.	1,572,495	1,574,455
Ampower Holding Ltd.	1,477,199	1,526,449
Yuan Chi Investment Co., Ltd.	918,468	1,015,867
GIO Optoelectronics Corporation	449,994	475,253
Chi Mei Materials Technology	-	1,883,267
Control Technology Co., Ltd.	-	473,259
Others	447,043	806,183
	<u>\$ 73,096,389</u>	<u>\$ 67,860,212</u>

1. The Company's subsidiaries

The Company has invested in the Mainland subsidiary through Landmark International Ltd., Innolux Holding Ltd., Toppoly Optoelectronics (B.V.I.) Ltd. and Innolux Hong Kong Holding Ltd. The subsidiary is engaged in the research and development, assembly processing and after-sale services of LCD modules and LCD monitors. Information on investees in Mainland China is provided in Note 13.

2. The Company's associates

A. The financial information of the Company's associates is summarized below:

	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit/(Loss)</u>
December 31, 2014	\$ 3,908,085	\$ 1,297,031	\$ 1,798,602	(\$ 475,353)
December 31, 2013	22,729,921	7,107,607	20,087,705	2,302,711

B. The fair value of the Company's associates which have quoted market price is as follows:

	<u>Stock price per share (in dollars)</u>
	<u>December 31, 2013</u>
Chi Mei Materials Technology	\$ 36.45
Control Technology Co., Ltd.	16.95

C. During 2014, the Company sold its interests in Chi Mei Materials Technology and Control Technology Co., Ltd. Since the Company lost control, the investment was reclassified as "available-for-sale financial assets - non-current".

D. The Company recognized impairment loss on associates for the year ended December 31, 2013 in the amount of \$204,721.

(8) Property, plant and equipment

	2014				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Land	\$ 3,852,792	\$ -	\$ -	\$ -	\$ 3,852,792
Buildings	156,365,038	-	( 303,647)	797,338	156,858,729
Machinery and equipment	376,152,145	51,347	( 14,314,548)	13,181,365	375,070,309
Others	<u>20,655,250</u>	<u>2,223</u>	<u>( 2,591,901)</u>	<u>4,518,734</u>	<u>22,584,306</u>
	<u>557,025,225</u>	<u>53,570</u>	<u>( 17,210,096)</u>	<u>18,497,437</u>	<u>558,366,136</u>
Accumulated depreciation and impairment:					
Buildings	( 59,116,947)	( 13,954,331)	302,794	1,528	( 72,766,956)
Machinery and equipment	( 252,063,722)	( 37,915,245)	14,309,885	( 8,533,930)	( 284,203,012)
Others	<u>( 15,428,084)</u>	<u>( 2,767,296)</u>	<u>2,588,567</u>	<u>( 1,983,547)</u>	<u>( 17,590,360)</u>
	<u>( 326,608,753)</u>	<u>( 54,636,872)</u>	<u>17,201,246</u>	<u>( 10,515,949)</u>	<u>( 374,560,328)</u>
Unfinished construction and equipment under acceptance	<u>3,141,142</u>	<u>14,127,037</u>	<u>( 130)</u>	<u>( 8,474,675)</u>	<u>8,793,374</u>
	<u>\$233,557,614</u>				<u>\$192,599,182</u>
	2013				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Land	\$ 3,852,792	\$ -	\$ -	\$ -	\$ 3,852,792
Buildings	153,864,439	-	( 78,689)	2,579,288	156,365,038
Machinery and equipment	347,222,768	330	( 2,556,036)	31,485,083	376,152,145
Others	<u>17,895,333</u>	<u>215</u>	<u>( 1,692,005)</u>	<u>4,451,707</u>	<u>20,655,250</u>
	<u>522,835,332</u>	<u>545</u>	<u>( 4,326,730)</u>	<u>38,516,078</u>	<u>557,025,225</u>
Accumulated depreciation and impairment:					
Buildings	( 44,259,742)	( 14,939,334)	58,594	23,535	( 59,116,947)
Machinery and equipment	( 200,871,601)	( 51,214,999)	2,138,976	( 2,116,098)	( 252,063,722)
Others	<u>( 12,598,062)</u>	<u>( 3,023,762)</u>	<u>1,689,971</u>	<u>( 1,496,231)</u>	<u>( 15,428,084)</u>
	<u>( 257,729,405)</u>	<u>( 69,178,095)</u>	<u>3,887,541</u>	<u>( 3,588,794)</u>	<u>( 326,608,753)</u>
Unfinished construction and equipment under acceptance	<u>21,945,408</u>	<u>15,812,656</u>	<u>-</u>	<u>( 34,616,922)</u>	<u>3,141,142</u>
	<u>\$287,051,335</u>				<u>\$233,557,614</u>

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

(9) Investment property

	2014			2013		
	At		At	At		At
	January 1	Additions	December 31	January 1	Additions	December 31
Cost:						
Land	\$ 188,247	\$ -	\$ 188,247	\$ 188,247	\$ -	\$ 188,247
Buildings	<u>568,440</u>	<u>-</u>	<u>568,440</u>	<u>568,440</u>	<u>-</u>	<u>568,440</u>
	<u>\$ 756,687</u>	<u>\$ -</u>	<u>\$ 756,687</u>	<u>\$ 756,687</u>	<u>\$ -</u>	<u>\$ 756,687</u>
Accumulated depreciation and impairment:						
Buildings	( <u>49,837</u> )	( <u>13,173</u> )	( <u>63,010</u> )	( <u>36,664</u> )	( <u>13,173</u> )	( <u>49,837</u> )
	<u>\$ 706,850</u>		<u>\$ 693,677</u>	<u>\$ 720,023</u>		<u>\$ 706,850</u>

The fair value of the investment property held by the Company as at December 31, 2014 and 2013 was \$1,110,523 and \$721,774, respectively. The amounts mentioned above represent valuation results of comparative method based on market trading information.

(10) Intangible assets

A. Intangible assets are goodwill, payments for TFT-LCD related technology and royalty.

	2014				
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	At December 31
Cost:					
Patents and royalty	\$ 8,807,308	\$ -	(\$ 673,622)	\$ 3,349	\$ 8,137,035
Goodwill	17,096,628	-	-	-	17,096,628
Others	<u>3,267,074</u>	<u>-</u>	( <u>79,340</u> )	<u>498,811</u>	<u>3,686,545</u>
	<u>29,171,010</u>	<u>-</u>	( <u>752,962</u> )	<u>502,160</u>	<u>28,920,208</u>
Accumulated amortisation and impairment:					
Patents and royalty	( 5,215,968)	( 1,193,337)	673,622	-	( 5,735,683)
Others	( <u>2,840,599</u> )	( <u>291,157</u> )	<u>79,340</u>	( <u>4,925</u> )	( <u>3,057,341</u> )
	( <u>8,056,567</u> )	( <u>1,484,494</u> )	<u>752,962</u>	( <u>4,925</u> )	( <u>8,793,024</u> )
	<u>\$ 21,114,443</u>				<u>\$ 20,127,184</u>

	2013				At December 31
	At January 1	Additions	Disposals	Transfer, net exchange differences and others	
Cost:					
Patents and royalty	\$ 8,805,608	\$ -	\$ -	\$ 1,700	\$ 8,807,308
Goodwill	17,096,628	-	-	-	17,096,628
Others	<u>3,150,228</u>	<u>-</u>	<u>( 14,561)</u>	<u>131,407</u>	<u>3,267,074</u>
	<u>29,052,464</u>	<u>-</u>	<u>( 14,561)</u>	<u>133,107</u>	<u>29,171,010</u>
Accumulated amortisation and impairment:					
Patents and royalty	( 3,709,759)	( 1,506,209)	-	-	( 5,215,968)
Others	<u>( 2,546,004)</u>	<u>( 370,951)</u>	<u>14,561</u>	<u>61,795</u>	<u>( 2,840,599)</u>
	<u>( 6,255,763)</u>	<u>( 1,877,160)</u>	<u>14,561</u>	<u>61,795</u>	<u>( 8,056,567)</u>
	<u>\$ 22,796,701</u>				<u>\$ 21,114,443</u>

B.Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2014	2013
Operating costs	\$ 954,350	\$ 961,945
Operating expenses	<u>530,144</u>	<u>915,215</u>
	<u>\$ 1,484,494</u>	<u>\$ 1,877,160</u>

C.The Company performed impairment analysis for recoverable amount of the goodwill at each reporting date and used the value in use as the basis for calculation of the recoverable amount. The value in use was calculated based on the estimated present value of future cash flows for five years, which was discounted at the discount rate of 4.89% and 4.22% for the years ended December 31, 2014 and 2013, respectively, to reflect the specific risks of the related cash generating units. The future cash flows were estimated based on the future revenue, gross profit, and other operating costs each year. Based on the evaluation above, the Company did not recognize impairment loss on goodwill for the years ended December 31, 2014 and 2013.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>	<u>Collateral</u>
Bank loans			
Credit loans	<u>\$ 1,300,000</u>	<u>\$ 1,943,565</u>	None
Range of interest rates	<u>2.5%</u>	<u>2.858%~4.050%</u>	

(12) Long-term borrowings

<u>Type of loans</u>	<u>Period</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Syndicated bank loans	2005/03~2016/11	\$ 98,227,530	\$ 139,125,971
Guaranteed commercial papers	2012/11~2015/07	129,148	258,354
Credit loans	2009/09~2014/06	-	16,372,450
		<u>\$ 98,356,678</u>	<u>\$ 155,756,775</u>
Less:			
Administrative expenses charged by syndicated banks		( 41,252)	( 187,557)
Current portion		( 61,092,333)	( 155,569,218)
		<u>\$ 37,223,093</u>	<u>\$ -</u>
Range of interest rates		<u>1.2474%~2.4737%</u>	<u>1.3115%~2.795%</u>

A. Please refer to Note 8 for the information on assets pledged as collateral for long-term borrowings.

B. The syndicated loan agreements specified that the Company shall meet covenants on current ratio, liability ratio, interest coverage, and tangible net equity, which were based on the Company's annual parent company only financial statements audited by independent auditors. The Company's financial ratios on the parent company only financial statements for the years ended December 31, 2014 and 2013 are in accordance with the covenants on the syndicated loan agreement.

C. In December 2011, the Company applied for the assistance of Ministry of Economic Affairs to negotiate the debt with the syndicated banks, in accordance with the "Procedures for the Assistance of Ministry of Economic Affairs in the Negotiation of Enterprise and Financial Institution relating to the Debt Issue". On April 5, 2012, the Company signed an "Agreed-upon Repayment Agreement" with all financial institution creditors based on the framework of the resolutions during the creditors and debtors negotiation meeting. The major terms of the agreement were as follows:

(a) Medium and long-term syndicated loans

The medium and long-term syndicated loans due between 2012 to 2014 will be extended for 2-3 years. Principal is repayable every year based on a certain percentage; interest is charged at the original interest rate or at the original interest rate plus premium rate.

(b) Short and medium-term non-syndicated loans

The outstanding balances or the original amounts of each loan are renewed based on the original terms and all extended to December 31, 2013. Before maturity, the Company may apply for the extension of such loans for another year for each application, with a maximum of two applications with each bank. Interest is charged at the original interest rate plus premium rate and extension fee is charged at a certain percentage.

(c) Credit lines of derivative financial instruments

At least two-thirds of the original credit lines of derivative financial instruments are renewed based on the original terms and all extended to December 31, 2013. Before maturity, the Company may apply for the extension of such credit lines for another one year for each application, with a maximum of two applications with each bank. Extension fee is charged at a certain percentage.

(d) Other matters

a) All financial institution creditors agreed to waive the 2011 and 2012 covenants, the interest penalty, and default penalty arising from the violation of covenants.

b) All financial institution creditors agreed to waive the agreement that the Company shall early repay whole or part of the loans as prescribed by the original agreements before the extension agreements were approved by all financial institution creditors.

(e) The Company's significant commitments

The Company is committed to increase capital in certain amounts of cash within 3 years starting from 2012, to focus on its main business activities, and not to make investments out of its main business lines, except for equipment improvements or equipment additions for its main business. Further, the Company shall not apply for bankruptcy or reorganisation during the period of negotiation for the extension of the due date on the Company's debt.

D. Because the Company failed to meet the requirements specified in the "syndicated repayment agreement" signed for the cash capital increase for the year ended December 31, 2013, the syndicated banks may take measures, in accordance with the agreement, including, but not limited to the outstanding principal, interest expenses, and other payables be due immediately. Therefore, the Company reclassified syndicated loans and other long-term borrowings as of December 31, 2013 amounting to \$155,569,218 (including administrative expenses charged by syndicated banks) to "long-term liabilities - current portion". However, the deadline was extended to the end of 2014 through the concession of financial institution creditors on January 27, 2014.

E. Though the Company failed to meet the requirement specified in the "syndicated repayment agreement" signed for the cash capital increase for the year ended December 31, 2014, the deadline was extended to the end of 2015 through the concession of financial institution creditors.

F. In order to repay the unpaid balance of the medium and long-term syndicated loans from the above "Agreed-upon Repayment Agreement", on February 10, 2015, the Board of Directors has approved the proposal for the company to apply for a syndicated credit line of NT\$68.5 billion with financial institutions.

(13) Pensions

A. Defined benefit pension plan

(a) The Company has established a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005, and service years thereafter of employees who choose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, employees are entitled to two base points for every year of service for the first 15 years and one base point for each additional year thereafter, up to a maximum of 45 base points. The pension payment to employees was computed based on years of service and average salaries or wages of the last six months prior to approved retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(b) The amounts recognised in the balance sheet were determined as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Present value of funded obligations	\$ 1,605,920	\$ 1,504,354
Fair value of plan assets	( 1,488,938)	( 1,454,627)
Net liability in the balance sheet (shown as "Other non-current liabilities")	<u>\$ 116,982</u>	<u>\$ 49,727</u>

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

	<u>2014</u>	<u>2013</u>
Present value of funded obligations		
At January 1	\$ 1,504,354	\$ 1,464,983
Current service cost	10,470	9,148
Interest expense	30,087	21,975
Actuarial gain and loss	<u>61,009</u>	<u>8,248</u>
At December 31	<u>\$ 1,605,920</u>	<u>\$ 1,504,354</u>

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

	<u>2014</u>	<u>2013</u>
Fair value of plan assets		
At January 1	\$ 1,454,627	\$ 1,398,638
Expected return on plan assets	29,092	20,980
Actuarial gain and loss	5,219	( 3,622)
Employer contributions	<u>-</u>	<u>38,631</u>
At December 31	<u>\$ 1,488,938</u>	<u>\$ 1,454,627</u>

(e) Expenses recognised in statements of comprehensive income were as follows:

	Years ended December 31,	
	2014	2013
Current service cost	\$ 10,470	\$ 9,148
Interest cost	30,087	21,975
Expected return on plan assets	(29,092)	(20,980)
Current pension costs	<u>\$ 11,465</u>	<u>\$ 10,143</u>

Details of cost and expenses recognised in statements of comprehensive income were as follows:

	Years ended December 31,	
	2014	2013
Cost of sales	\$ 7,991	\$ 6,593
Selling expenses	184	329
General and administrative expenses	848	1,058
Research and development expenses	2,442	2,163
	<u>\$ 11,465</u>	<u>\$ 10,143</u>

(f) Amounts recognised under other comprehensive income were as follows:

	Years ended December 31,	
	2014	2013
Recognition for current period	<u>\$ 55,790</u>	<u>\$ 11,870</u>
Accumulated amount	<u>\$ 68,243</u>	<u>\$ 12,453</u>

(g) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The composition of fair value of plan assets as of December 31, 2014 and 2013 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates

offered by local banks.

For the years ended December 31, 2014 and 2013, the actual return on plan assets was \$34,311 and \$17,358, respectively.

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

	Years ended December 31,	
	2014	2013
Discount rate	2.25%	2.00%
Future salary increases	3.00%	3.00%
Expected return on plan assets	2.25%	2.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Morality Table.

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

	Years ended December 31,	
	2014	2013
Present value of defined benefit obligation	\$ 1,605,920	\$ 1,504,354
Fair value of plan assets	(1,488,938)	(1,454,627)
Deficit in the plan	\$ 116,982	\$ 49,727
Experience adjustments on plan liabilities	\$ 60,201	\$ 320,046
Experience adjustments on plan assets	\$ 5,219	(\$ 3,622)

(j)The Company suspended its contributions to the pension reserve as agreed by the Science Park Administration in June 2013.

#### B. Defined contribution pension plan

(a)Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2014 and 2013 were \$939,629 and \$842,000, respectively.

(14) Share-based payment

A.As of December 31, 2014, the Company's share-based payment transactions are set forth below (excluding employee stock options assumed because of the merger stated in Note B):

Type of arrangement	Grant date	Quantity granted (in thousand units)	Contract period (in years)	Vesting conditions
Employee stock options	2007.12.20	25,000	6	Note (b),(c)
Employee stock options	2010.05.13	20,000	5	Note (a)
Employee stock options	2011.05.19	50,000	5	Note (a)
Reservation for new share subscription by employees	2013.01.17	36,122	-	Vested immediately
Restricted stocks to employees- shares subscribed with consideration				
-shares subscribed with consideration	2013.01.30	31,151	3	Note (d),(e)
-shares without consideration	2013.01.30	31,151	3	Note (d),(e)
-shares subscribed with consideration	2013.03.29	844	3	Note (d),(e)
-shares without consideration	2013.03.29	844	3	Note (d),(e)
-shares subscribed with consideration	2013.12.12	4,628	3	Note (d),(e)
-shares without consideration	2013.12.12	4,628	3	Note (d),(e)
Reservation for new share subscription by employees	2014.07.09	85,000	-	Vested immediately

- (a)The employees may exercise the stock options by stage based on 30%, 30% and 40% of total options granted on completion of the specified year(s) of service (one to four years) from the grant date.
- (b)The employees may exercise the stock options by stage based on 40%, 30% and 30% of total options granted on completion of the specified year(s) of service (three to five years) from the grant date.
- (c)The employee stock options had already expired.
- (d)The employees may exercise the stock options by stage based on 20%, 40% and 40% of total options granted on completion of the specified year(s) of service (one to three years) from the grant date.
- (e)The restricted stocks issued by the Company cannot be transferred. Voting right and dividend right are restricted on these stocks before vested.

(f)The fair value of stock options granted from 2010 to first quarter of 2014 is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Price (in dollars)	Exercise price (in dollars)	Expected volatility (%)	Expected duration (month)	Expected dividend yield (%)	Risk free interest rate (%)	Fair value per unit (in dollars)
Reservation for new share subscription by employees	2014.07.09	\$14.90	\$12.50	36.01	0.84	-	0.42	\$ 2.42
Restricted stocks to employees								
- shares subscribed with consideration	2013.12.12	10.65	-	-	-	-	-	10.65
- shares issued with no consideration	2013.12.12	10.65	5.00	-	-	-	-	5.65
- shares subscribed with consideration	2013.03.29	18.40	-	-	-	-	-	18.40
- shares issued with no consideration	2013.03.29	18.40	5.00	-	-	-	-	13.40
- shares subscribed with consideration	2013.01.30	15.35	-	-	-	-	-	15.35
- shares issued with no consideration	2013.01.30	15.35	5.00	-	-	-	-	10.35
Reservation for new share subscription by employees	2013.01.17	14.15	12.98	48.20	0.36	-	0.65	1.17
Employee stock options	2011.05.19	26.70	26.70	35.67	48.60	-	1.00	7.31 ~8.32
Employee stock options	2010.05.13	39.85	39.85	51.57	48.60	-	0.80	15.12 ~16.98

## B.Employee stock options acquired because of merger

(a)Details:

Type of arrangement	Grant date	Quantity granted (in thousand units)	Contract period	Vesting conditions
Employee stock options	2009.09.30	24,819	5 years	Note ii, iv
Employee stock options	2007.07.02	21 (Note i)	6 years	Note iii, iv
Employee stock options	2007.12.27	2 (Note i)	6 years	Note iii, iv

- i.Each unit of stock options can subscribe for 1,000 shares of common stock.
- ii.The employees may exercise the stock options by stage based on 50% and 50% of total options granted on completion of the specified years of service (two to three years) from the grant date.
- iii.The employees may exercise the stock options by stage based on 25%, 25%, 25% and 25% of total options granted on completion of the specified years of service (two to five years) from the grant date.
- iv.The employee stock options had already expired.

v. The units of employee stock options above were adjusted by share conversion rate.

(b) The fair value of employee stock options was estimated using the Hull & White (2002) Enhanced FASB 123 of the aforementioned binomial model. The information was as follows:

Type of arrangement	Grant date	Price (in dollars)	Exercise price (in dollars)	Expected volatility (%)	Expected duration (month)	Expected dividend yield (%)	Risk free interest rate (%)	Fair value per unit (in dollars)
Employee stock options	2009.09.30	\$51.60	\$39.20	45.10	36.78	0.61	0.82	\$3.57~4.14
Employee stock options	2007.07.02	51.60	67.53	45.10	24.78	0.61	0.82	4.23~4.41
Employee stock options	2007.12.27	51.60	80.63	45.10	48.54	0.61	0.82	3.65~3.82

C. The details of the employee stock option plan for the years ended December 31, 2014 and 2013 were as follows:

Stock Options	Year ended December 31, 2014				
	Quantity (in thousand units)	Weighted average exercise price (in dollars)	Range of exercise price (in dollars)	Weighted average remaining vesting period	Weighted average stock price of stock options at exercise date (in dollars)
Outstanding options at the beginning of the year	94,819	\$ 28.71			
Options exercised	-	-			\$ 12.68
Options expired	( 24,819)	32.10			
Outstanding options at the end of the year	<u>70,000</u>	25.63	\$ 32.59 22.85	0.38 years 1.39 years	
Exercisable options at the end of the year	<u>50,000</u>	26.75			

Year ended December 31, 2013

<u>Stock Options</u>	Quantity (in thousand units)	Weighted average exercise price (in dollars)	Range of exercise price (in dollars)	Weighted average remaining vesting period	Weighted average stock price of stock options at exercise date (in dollars)
Outstanding options at the beginning of the year	119,842	\$ 41.79			
Options exercised	-	-			\$ 14.98
Options expired	( 25,023)	57.05			
Outstanding options at the end of the year	<u>94,819</u>	28.71	\$ 34.46	1.38 years	
			23.82	2.39 years	
			33.93	0.75 years	
Exercisable options at the end of the year	<u>51,819</u>	31.13			

D.For the years ended December 31, 2014 and 2013, the expenses incurred from share-based payment arrangements were \$578,227 and \$556,874, respectively.

(15) Provisions-current

	<u>Warranty</u>	<u>Litigation and others</u>	<u>Total</u>
At January 1, 2014	\$ 140,809	\$ 1,808,220	\$ 1,949,029
Addition	2,723,491	2,451,275	5,174,766
Used during the year	( 2,117,279)	( 1,873,027)	( 3,990,306)
At December 31, 2014	<u>\$ 747,021</u>	<u>\$ 2,386,468</u>	<u>\$ 3,133,489</u>

A.Warranty

The Company provides warranty on TFT-LCD panel products sold. Provision for warranty is estimated based on historical warranty data of TFT-LCD panel products.

B.Litigation and others

Litigation and other provision for the Company are related to patents of TFT-LCD panel products and anti-trust litigations. For information on estimation of provisions, please refer to Note 9(1).

(16) Share capital

A.As of December 31, 2014, the Company's authorized and outstanding capital were \$120,000,000 (including \$500,000 reserved for employee stock options) and \$99,545,364, respectively, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>2014</u>	<u>2013</u>
	Number of ordinary shares (in thousands)	Number of ordinary shares (in thousands)
At January 1	9,109,429	7,912,971
Employee stock options exercised	850,000	1,125,000
Issuance of restricted shares to employees	-	72,526
Cancellation of restricted stock to employees ( _____)	4,893	( 1,068)
At December 31	<u>9,954,536</u>	<u>9,109,429</u>

B.The Company's Board of Directors resolved to increase capital through cash on December 17, 2013 by issuing common shares of no more than 2 billion shares, in exchange for cash domestically or by using cash from capital increase to issue common shares in exchange for the issuance of foreign depository receipts. On June 19, 2014, the shareholders approved the capital increase. On June 20, 2014, the Board of Directors approved the domestic capital increase of 10,625,000 shares. The issue price was determined to be \$12.5 in July 2014, and the capital increase was effective on August 12, 2014.

C.The Board of Directors of the Company resolved to increase capital for cash by issuing global depository receipts (the "GDR"). The amount of \$9,360,000 is tentatively scheduled for release, (approximately equivalent to US\$312,625 thousand). As the Company has received bank's approval for extending capital increase, based on shareholders' interest, the issuance of the GDR was cancelled in accordance with the Financial Supervisory Commission (FSC)'s approval on January 30, 2015.

D.As authorized by the shareholders during their meeting in June 2012, the Board of Directors of the Company resolved to increase capital for cash by issuing the GDR on July 18, 2012, and had been completed in January 2013. The Company issued 1,125,000 thousand shares of common stock for cash, including 112,500 thousand shares regarded as employee stock options, and 101,250,000 units of GDRs which represent 1,012,500 thousand shares of common stock, with a unit of GDR representing 10 shares of common stock at the Luxembourg Stock Exchange. Per unit was issued at a premium of US\$4.481, which was equivalent to \$12.98 per share and raised a total of \$14,519,051, net of issuance cost. As of December 31, 2014, there were 69 thousand units outstanding, representing 692 thousand shares of common stocks.

E.As authorized by the shareholders at the shareholders' meeting in June, 2012, the Board of Directors of the Company adopted a resolution on January 30, 2013, March 29, 2013 and

November 12, 2013 to issue restricted shares to employees, consisting of 36,263 thousand shares without consideration and 36,263 thousand shares with consideration (the price for subscription is \$5 per share). The effective dates of the issuance were on January 30, 2013, March 29, 2013 and December 12, 2013. Until the vesting conditions are met by employees, those shares are restricted to transfer voting rights, dividend and other rights. As of December 31, 2014, the Company bought back 4,893 shares of unvested restricted stocks to employees, and decreased capital in accordance with related regulation.

F. The stockholders at the stockholders' meeting on January 6, 2010 approved the merger of the Company with another company by issuing new shares, with the Company as the surviving company. The Company issued 4,046,382 thousand new shares according to the merger contract. The new shares included the common stock issued by the acquired companies in May and December 2006 through private placement. The issuance of 570,929 thousand shares was determined based on the exchange ratio in the merger contract. The rights and obligations of the private common shares were the same as other issued common shares, except for the transfer restriction under R.O.C. Securities and Exchange Act and the listing restriction that no public listing will be allowed within three years since the day of issuance and only if the Company completes the application to publicly issue the shares. The aforementioned private common shares have not been publicly issued as of December 31, 2014.

G. In accordance with the Board of Directors' resolution in August 2007, the Company decided to issue 300 million shares of common stock for cash, including 149,967,500 units of GDRs which represent 299,935 thousand shares of common stock with a unit of GDR representing 2 shares of common stock. Per unit was issued at premium of US\$9.02 (in dollars). In accordance with the Board of Directors' resolution in March 2013, the Company terminated the abovementioned GDR, and the effective date of termination was in May 2013. The depository trust company completed the cancellation and distributed proceeds in November 2013.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Accumulated deficit shall first be covered by retained earnings before the capital reserve can be used to cover the accumulated deficit.

2014

	Share of profit (loss) of associates accounted for				Restricted stock to employees	Total
	Share premium	under equity method	Employee stock option			
At January 1	\$ 94,106,611	\$ 56,303	\$ 1,697,935	\$ 197,892	\$ 96,058,741	
Capital issued for cash	2,125,000	-	-	-	2,125,000	
Cash paid from capital surplus	( 1,266,944)	-	-	-	( 1,266,944)	
Capital surplus offset against accumulated deficit	2,328,981	-	-	-	2,328,981	
Cancellation of restricted stock to employees	-	-	-	48,924	48,924	
Vested restricted stock to employees	65,665	-	-	( 65,665)	-	
Changes in restricted stock to employees	-	-	-	47,174	47,174	
Compensation related to share-based payment	205,700	-	83,823	-	289,523	
Expiration of employee stock options	407,899	( 407,899)	-	-	-	
Changes in net equity of long-term equity investments	-	( 47,030)	-	-	( 47,030)	
At December 31	<u>\$ 97,972,912</u>	<u>\$ 9,273</u>	<u>\$ 1,373,859</u>	<u>\$ 228,325</u>	<u>\$ 99,584,369</u>	

2013

	Share of profit (loss) of associates accounted for				Restricted stock to employees	Total
	Share premium	under equity method	Employee stock option			
At January 1	\$ 118,065,992	\$ 24,241	\$ 1,587,747	\$ -	\$ 119,677,980	
Capital surplus offset against accumulated deficit	( 27,308,220)	-	-	-	( 27,308,220)	
Global depositary receipt issued for cash	3,269,051	-	-	-	3,269,051	
Issuance of restricted stock to employees	-	-	-	187,212	187,212	
Cancellation of restricted stock to employees	-	-	-	10,680	10,680	
Compensation related to share-based payment	42,263	-	147,713	-	189,976	
Expiration of employee stock options	37,525	( 37,525)	-	-	-	
Changes in net equity of long-term equity investments	-	32,062	-	-	32,062	
At December 31	<u>\$ 94,106,611</u>	<u>\$ 56,303</u>	<u>\$ 1,697,935</u>	<u>\$ 197,892</u>	<u>\$ 96,058,741</u>	

(18) Retained earnings

A. In accordance with the Company's Articles of Incorporation, net income must be distributed in the following order:

- (a) To pay all tax accruals and payables arising from the current year and to cover prior years' losses, if any;
- (b) As legal reserve equal to 10% of net income after tax and distribution pursuant to clause (a);
- (c) As any special reserve;
- (d) To pay dividends on preferred shares;
- (e) To pay bonuses to employees not less than 5% of net income after tax and distribution pursuant to clauses (a) to (d); and
- (f) The remaining amount, if any, shall be distributed pursuant to the proposal of the Board of Directors in accordance with the Company's dividend policy and the resolution approved at the stockholders' meeting, of which 0.1% should be paid as remuneration to directors and supervisors and the remaining amount as dividends to stockholders.

Dividends distributed in respect of any fiscal year in the form of shares shall not exceed two-thirds of total dividends to stockholders.

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

C. The Board of Directors proposed to cover accumulated deficit for the year ended December 31, 2012 and the proposal was approved by the stockholders in June 2013. It was resolved not to distribute dividends or accrue employees' bonus and directors' and supervisors' remuneration. As approved by the stockholders in June 2013, the Company covered accumulated deficit amounting to \$27,308,220 by using additional paid-in capital in excess of par value of common stock. In June 2014, the shareholders approved and resolved the deficit compensation amendment for 2012 which is to compensate deficit with legal reserve of \$2,328,981 and \$24,979,239 by using additional paid-in capital in excess of par value of common stock.

D. The details of the appropriation of 2013 net income which was approved at the stockholders' meeting in June 2014 are as follows:

	Year ended December 31, 2013	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 509,272	
Special reserve	1,144,229	
Cash dividends	90,495	\$ 0.01
	<u>\$ 1,743,996</u>	

Furthermore, the Company's stockholders have resolved to distribute \$0.14 cash per share with capital surplus amounting to \$1,266,944. The Company distributed a total of \$0.15 cash dividend per share.

E. Employees' bonus and directors' and supervisors' remuneration were accrued at \$172,217 and \$4,004, respectively, for the year ended December 31, 2013. The amount was accrued by considering the period's net profit after tax, legal reserve amongst other factors and the Company's Articles of Incorporation. As resolved by the stockholders in June 2014, employees' bonus and directors' and supervisors' remuneration were \$343,922 and \$90, respectively, resulting to a difference of \$167,791 from the amounts in 2013 financial statements. The difference was caused by different accrual ratio which has been processed as accounting estimates after being approved at the stockholders' meeting and recorded as expense in 2014. For the year ended December 31, 2014, employees' bonus was accrued at \$1,436,187. Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(19) Other equity items

	2014				Total
	Currency translation	Available-for-sale investments	Hedging reserve	Employee unearned compensation	
At January 1	(\$ 78,074)	(\$1,544,345)	\$ 478,190	(\$ 387,268)	(\$1,531,497)
Fair value losses of cash flow hedges	-	-	( 1,224)	-	( 1,224)
Reclassified as current income of cash flow hedges	-	-	( 277,234)	-	( 277,234)
Revaluation of available-for-sale investments - gross	-	138,700	-	-	138,700
Revaluation transfer of available-for-sale investment - gross	-	( 35,190)	-	-	( 35,190)
Currency translation differences	3,087,368	-	-	-	3,087,368
Issuance of restricted stocks to employees	-	-	-	( 43,951)	( 43,951)
Compensation related to share-based payment	-	-	-	288,704	288,704
Share of subsidiaries and other comprehensive income (loss) of associates	73,654	189,441	-	-	263,095
Effect of income tax	-	( 8,453)	47,338	-	38,885
At December 31	<u>\$3,082,948</u>	<u>(\$1,259,847)</u>	<u>\$ 247,070</u>	<u>(\$ 142,515)</u>	<u>\$1,927,656</u>

	2013				
	Currency translation	Available-for-sale investments	Hedging reserve	Employee unearned compensation	Total
At January 1	(\$2,818,705)	(\$1,609,513)	\$ 423,629	\$ -	(\$4,004,589)
Fair value losses of cash flow hedges	-	-	( 3,210)	-	( 3,210)
Reclassified as current income of cash flow hedges	-	-	82,687	-	82,687
Revaluation of available-for-sale investments - gross	-	( 211,410)	-	-	( 211,410)
Revaluation transfer of available-for-sale investment - gross	-	( 11,598)	-	-	( 11,598)
Currency translation differences	2,703,765	-	-	-	2,703,765
Issuance of restricted stocks to employees	-	-	-	( 754,166)	( 754,166)
Compensation related to share-based payment	-	-	-	366,898	366,898
Share of subsidiaries and other comprehensive income (loss) of associates	36,866	239,036			275,902
Effect of income tax	-	49,140	( 24,916)	-	24,224
At December 31	<u>(\$ 78,074)</u>	<u>(\$1,544,345)</u>	<u>\$ 478,190</u>	<u>(\$ 387,268)</u>	<u>(\$1,531,497)</u>

(20) Other income

	Years ended December 31,	
	2014	2013
Rental revenue	\$ 139,286	\$ 129,511
Interest income	126,493	112,782
Dividend income	7,567	43,822
Other income	1,106,573	935,960
	<u>\$ 1,379,919</u>	<u>\$ 1,222,075</u>

(21) Other gains and losses

	Years ended December 31,	
	2014	2013
Net loss on financial assets and liabilities at fair value through profit or loss	(\$ 883,120)	(\$ 1,587,910)
Net currency exchange gain	1,143,155	2,252,870
Gain on disposal of investments	452,613	18,366
Gain (loss) on disposal of property, plant and equipment	22,568	( 6,065)
Impairment loss	-	( 204,721)
Litigation loss and others	( 4,154,038)	( 9,422,978)
	<u>(\$ 3,418,822)</u>	<u>(\$ 8,950,438)</u>

(22) Finance costs

	Years ended December 31,	
	2014	2013
Interest expense:		
Bank borrowings	\$ 2,984,966	\$ 4,292,335
Bonds	-	5,662
Others	13,507	20,567
(Gain) loss on fair value change of financial instruments:		
(Gain) loss on cash flow hedges, reclassified from equity	( 277,234)	82,687
Fair value hedges	-	( 31,642)
Financing charges incurred on accounts receivable factoring	-	225
	<u>\$ 2,721,239</u>	<u>\$ 4,369,834</u>

(23) Expenses by nature

	Years ended December 31,	
	2014	2013
Employee benefit expense	\$ 26,411,358	\$ 20,699,447
Depreciation	54,650,045	69,191,268
Amortization	1,484,494	1,877,160
	<u>\$ 82,545,897</u>	<u>\$ 91,767,875</u>

(24) Employee benefit expense

	Years ended December 31,	
	2014	2013
Salaries and other-term employee benefits	\$ 24,882,037	\$ 19,290,430
Share-based payments	578,227	556,874
Termination benefits	951,094	852,143
	<u>\$ 26,411,358</u>	<u>\$ 20,699,447</u>

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2014	2013
Current tax:		
Current tax on profit for the period	\$ 123,787	\$ -
Adjustments in respect of prior years	1,075	2,985
Total current tax	<u>124,862</u>	<u>2,985</u>
Deferred tax:		
Origination and reversal of temporary differences	(123,787)	(670,402)
Income tax expense (benefit)	<u>\$ 1,075</u>	<u>(\$ 667,417)</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2014	2013
Fair value gains/losses on available-for-sale financial assets	\$ 8,453	(\$ 49,140)
Cash flow hedges	(47,338)	24,916
Actuarial gains/losses on defined benefit obligations	(9,484)	(2,018)
	<u>(\$ 48,369)</u>	<u>(\$ 26,242)</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2014	2013
Tax calculated based on profit before tax and statutory tax rate	\$ 3,685,232	\$ 753,976
Effects from items disallowed by tax regulation	(575,514)	166,080
Under provision of prior year's income tax	1,075	2,985
Additional 10% tax on undistributed earnings	334,872	-
Effect from Alternative Minimum Tax	74,672	118,725
Change in assessment of realization of deferred tax assets	(3,519,262)	(1,709,183)
Tax expense	<u>\$ 1,075</u>	<u>(\$ 667,417)</u>

C.Amounts of deferred tax assets or liabilities as a result of temporary differences, loss carryforward and investment tax credits were as follows:

	Year ended December 31, 2014			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Sales returns and discount provisions	\$ 288,013	(\$ 121,640)	\$ -	\$ 166,373
Accrued royalties and warranty provisions	364,411	( 36,493)	-	327,918
Unrealised exchange loss	-	200,697	-	200,697
Unrealised loss on financial instruments	449,511	258,904	( 8,453)	699,962
Net operating loss carryforward	16,520,833	( 672,645)	-	15,848,188
Others	212,631	110,173	9,484	332,288
	<u>\$17,835,399</u>	<u>(\$ 261,004)</u>	<u>\$ 1,031</u>	<u>\$17,575,426</u>
-Deferred tax liabilities:				
Unrealised exchange gain	(\$ 51,357)	\$ 51,357	\$ -	\$ -
Unrealised gain on cash flow hedges	( 97,943)	-	47,338	( 50,605)
Amortisation charges on goodwill	( 726,842)	332,155	-	( 394,687)
Others	( 33,566)	1,279	-	( 32,287)
	<u>(\$ 909,708)</u>	<u>\$ 384,791</u>	<u>\$ 47,338</u>	<u>(\$ 477,579)</u>
Total	<u>\$16,925,691</u>	<u>\$ 123,787</u>	<u>\$ 48,369</u>	<u>\$17,097,847</u>

	Year ended December 31, 2013			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Sales returns and discount provisions	\$ 98,369	\$ 189,644	\$ -	\$ 288,013
Accrued royalties and warranty provisions	169,057	195,354	-	364,411
Unrealised loss on financial instruments	483,870	( 83,499)	49,140	449,511
Net operating loss carryforward	16,285,600	235,233	-	16,520,833
Others	<u>322,918</u>	<u>( 112,305)</u>	<u>2,018</u>	<u>212,631</u>
	<u>\$ 17,359,814</u>	<u>\$ 424,427</u>	<u>\$ 51,158</u>	<u>\$ 17,835,399</u>
-Deferred tax liabilities:				
Unrealised exchange gain	(\$ 455,343)	\$ 403,986	\$ -	(\$ 51,357)
Unrealised gain on cash flow hedges	( 73,027)	-	( 24,916)	( 97,943)
Amortisation charges on goodwill	( 533,081)	( 193,761)	-	( 726,842)
Others	<u>( 69,316)</u>	<u>35,750</u>	<u>-</u>	<u>( 33,566)</u>
	<u>(\$ 1,130,767)</u>	<u>\$ 245,975</u>	<u>(\$ 24,916)</u>	<u>(\$ 909,708)</u>
Total	<u>\$ 16,229,047</u>	<u>\$ 670,402</u>	<u>\$ 26,242</u>	<u>\$ 16,925,691</u>

D.Details of investment tax credits and unrecognised deferred tax assets are as follows:

Qualifying items	December 31, 2013		
	Unused tax credits	Unrecognised deferred tax assets	Final year tax credits are due
Machinery and equipment	\$ 409,544	\$ 409,544	2014

E.Expiration dates of unused net operating loss carryforward and amounts of unrecognised deferred tax assets were as follows:

December 31, 2014				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2010	Assessed	\$ 14,641,521	\$ 3,414,183	2015~2020
2011	Assessed	63,808,943	14,879,288	2021
2012	Filed	43,123,373	10,055,723	2022
		<u>\$ 121,573,837</u>	<u>\$ 28,349,194</u>	
December 31, 2013				
Year incurred	Amount filed / assessed	Unused amount	Unrecognised deferred tax assets	Usable until year
2009	Assessed	\$ 44,934,812	\$ 37,357,906	2014
2010	Assessed	22,184,259	9,273,300	2015~2020
2011	Filed	63,324,400	17,700,435	2021
2012	Filed	43,123,373	12,053,847	2022
		<u>\$ 173,566,844</u>	<u>\$ 76,385,488</u>	

F.The amounts of deductible temporary differences that are not recognised as deferred tax assets were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Deductible temporary differences	<u>\$ 31,105,662</u>	<u>\$ 81,368,397</u>

G.The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2014 and 2013, the amounts of temporary differences unrecognised as deferred tax liabilities were \$20,486,590 and \$12,677,405, respectively.

H.Certain revenue from the design, research, development, manufacture and sale of the thin film transistor - liquid crystal displays (TFT-LCD) and LCDs is exempt from income tax from 2008 to 2015.

I.The Company's income tax returns through 2011 have been assessed and approved by the Tax Authority.

J.Unappropriated retained earnings recorded by the Company pertain to retained earnings after 1998.

K. The details of imputation system are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
(a) Balance of tax credit account	\$ 738,931	\$ 1,082,780
	<u>2014 (Estimate)</u>	<u>2013 (Actual)</u>
(b) Estimated creditable tax rate	<u>2.96%</u>	<u>20.48%</u>

(26) Earnings per share

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
<u>Basic earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 21,676,759	\$ 5,102,568
Weighted average number of ordinary shares outstanding (shares in thousands)	<u>9,377,302</u>	<u>8,967,080</u>
Basic earnings per share (in dollar)	\$ 2.31	\$ 0.57
<u>Diluted earnings per share</u>		
Profit attributable to ordinary shareholders of the parent	\$ 21,676,759	\$ 5,102,568
Weighted average number of ordinary shares outstanding (shares in thousands)	9,377,302	8,967,080
Assumed conversion of all dilutive potential ordinary shares:		
-Employees' bonus	106,514	15,173
-Restricted stocks	<u>41,875</u>	<u>27,609</u>
	<u>9,525,691</u>	<u>9,009,862</u>
Diluted earnings per share (in dollar)	\$ 2.28	\$ 0.57

As employee stock options had anti-dilutive effect for the years ended December 31, 2014 and 2013, they were not included in the calculation of diluted earnings per share.

(27) Non-cash transaction

Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Purchase of property, plant and equipment	\$ 14,180,607	\$ 15,813,201
Add: opening balance of payable on equipment	3,180,964	3,439,899
Less: ending balance of payable on equipment	( 2,732,538)	( 3,180,964)
Cash paid during the year	<u>\$ 14,629,033</u>	<u>\$ 16,072,136</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Significant related party transactions

#### A. Operating revenue

	Years ended December 31,	
	2014	2013
Sales of goods:		
Others	\$ 14,374,629	\$ 5,617,759
Subsidiaries	7,967,864	6,111,580
Associates	27,050	-
	<u>\$ 22,369,543</u>	<u>\$ 11,729,339</u>

The collection period was 30~120 days upon delivery or on a monthly-closing basis to related parties, and 30~90 days to non-related parties. The sales prices and the trading terms to related parties above were not significantly different from those of sales to third parties.

#### B. Purchases of goods

	Years ended December 31,	
	2014	2013
Purchases of goods:		
Associates	\$ 4,431,198	\$ 5,287,598
Others	2,767,390	1,772,885
Subsidiaries	420,519	1,712,587
	<u>\$ 7,619,107</u>	<u>\$ 8,773,070</u>

The payment term was 30~120 days to related parties after delivery, and 30~180 days to non-related parties after delivery or on a monthly-closing basis. The purchase prices and the payment terms to related parties above were not materially different from those of purchases from third parties.

#### C. Consigned processing

##### (a) Consigned processing

	Years ended December 31,	
	2014	2013
Processing costs:		
Subsidiaries	\$ 167,873,521	\$ 148,212,172
Associates	-	8,412
Others	15,192	-
	<u>\$ 167,888,713</u>	<u>\$ 148,220,584</u>

(b)Balance of consigned processing at the end of year (shown as “Other payables”)

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Payables to related parties:		
Subsidiaries	\$ <u>2,677,593</u>	\$ <u>283,023</u>

The Company subcontracted the processing of products of associates in Mainland China. The processing fees were mainly charged based on cost plus method.

D.Accounts receivable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Receivables from related parties:		
Others	\$ 5,821,222	\$ 1,833,860
Subsidiaries	774,814	1,095,893
Associates	<u>27,899</u>	<u>-</u>
	6,623,935	2,929,753
Less: transfer to other receivables	( 556,217)	( 519,851)
allowance for bad debts	<u>( 60)</u>	<u>( 60)</u>
	<u>\$ 6,067,658</u>	<u>\$ 2,409,842</u>

(a) The receivables from related parties arise mainly from sales transactions. The receivables are due 30~120 days after the date of sale. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties.

(b) The above receivables from related parties that exceed normal granting periods were transferred to ‘other receivables – related parties’.

E.Other receivables

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Transfer from accounts receivable	\$ 556,217	\$ 519,851
Other receivables	<u>134,807</u>	<u>268,100</u>
	<u>\$ 691,024</u>	<u>\$ 787,951</u>

F.Accounts payable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Payables to related parties:		
Subsidiaries	\$ 83,822,951	\$ 80,095,077
Others	1,347,900	442,802
Associates	<u>161</u>	<u>1,439,867</u>
	<u>\$ 85,171,012</u>	<u>\$ 81,977,746</u>

The payables to related parties arise mainly from purchase transactions and are due 30~120 days after the date of purchase. The payables bear no interest.

G. Other payables-short-term financing

2014					
	Maximum outstanding balance	Actual amount drawn down	Interest rate	Interest expenses	Accrued expenses
Subsidiaries	\$ 396,900	\$ 396,900	1.38%	\$ 5,952	\$ -
2013					
	Maximum outstanding balance	Actual amount drawn down	Interest rate	Interest expenses	Accrued expenses
Subsidiaries	\$ 425,850	\$ 425,850	1.40%	\$ 6,533	\$ -

H. Property transactions

Purchase of property

(a) Acquisition of property, plant and equipment:

	Years ended December 31,	
	2014	2013
Subsidiaries	\$ 597,848	\$ 865,847
Associates	510,051	1,095,965
Others	2,398	-
	<u>\$ 1,110,297</u>	<u>\$ 1,961,812</u>

(b) Period-end balances arising from purchases of property (shown as "Other payables"):

	December 31, 2014	December 31, 2013
Associates	\$ -	\$ 227,734
Subsidiaries	586,682	218,466
Others	748	2,034
	<u>\$ 587,430</u>	<u>\$ 448,234</u>

I. Endorsements and guarantees

As of December 31, 2014 and 2013, the balances of endorsement/guarantee provided by the Company for bank borrowings are as follows. Details are provided in Note 13(1)B.

	December 31, 2014	December 31, 2013
Subsidiaries	\$ 16,901,100	\$ 15,915,870

(2) Key management compensation

	Years ended December 31,	
	2014	2013
Salaries and other short-term employee benefits	\$ 73,982	\$ 46,386
Share-based payments	18,638	27,582
Post-employment benefits	216	334
	<u>\$ 92,836</u>	<u>\$ 74,302</u>

8. PLEGGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2014	December 31, 2013	
Other financial assets-current			
Demand deposits	\$ 2,250,035	\$ 2,485,841	Syndicated bank loans
Property, plant and equipment	163,632,314	211,132,039	Long-term loans and performance guarantee for lease payable
Other financial assets-non-current			
Refundable deposits	11,079,360	12,327,000	Guarantee to European Commission for litigation
Time deposits	80,722	722	Guarantee for contract
	<u>\$ 177,042,431</u>	<u>\$ 225,945,602</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies — Significant Litigations

A.Chi Mei Optoelectronics Corporation (the "CMO"), Chi Mei Optoelectronics Japan Co., Ltd., Chi Mei Optoelectronics UK Ltd., Chi Mei Optoelectronics Europe B.V., and Chi Mei Optoelectronics USA Inc. were investigated under the Anti-Trust competition by the United States (the "U.S.") Department of Justice. Moreover, authorities of some U.S state governments, the European Union's, Brazil's and Korea's governments are starting to investigate this case. In addition, certain downstream customers and consumers in the TFT-LCD industry of the U.S. and Canada are now bringing up class-actions or individual civil lawsuits against the TFT-LCD companies; in certain lawsuits, CMO and Chi Mei Optoelectronics USA Inc. were listed as defendants. Details for investigations on significant cases related to the Anti-Trust Act are as follows:

(a) Regarding the above lawsuits, the Company had reached an agreement with the United States Department of Justice in December 2009, agreeing to pay penalties of US\$220 million in installment over five years. As of December 31, 2014, the unpaid penalties amounted to US\$35 million.

The Company had reached settlement agreements with the plaintiffs on individual civil lawsuits in the U.S. since 2012 and recognized related losses.

The Company reached an out-of-court settlement with twelve State Governments, agreeing to pay the plaintiffs as civil statutory damages since November 2011.

(b) In December 2010, the Company received a notice from the European Commission, requesting the Company to pay a penalty of EUR 300 million to the account as specified by the European Commission within three months upon receipt of the notice. The Company appealed this case with the Court of Justice of the European Union in February 2011 and deposited EUR 300 million to the above account on March 14, 2011. The principal and interest accrued in this account will be refunded to the Company depending on the final outcome of this case. The Court of Justice of the European Union has rendered that partial of the Company's appeal was reasonable and lowered the penalty from EUR 300 million to EUR 288 million. The Company has decided to appeal against partial judgement within the prescribed time.

(c) Except for the Anti-Trust litigations the ultimate outcome of which cannot be reliably estimated, the Company has recognised actual or estimated losses or liabilities in "other payables" and "other non-current liabilities".

B. Eidos Displays, LLC and Eidos III, LLC ("Eidos") filed a lawsuit against the Company and its subsidiaries in the US with the United States District Court for the District of East Texas on April 25, 2011, alleging infringement of its patent. The administrative law judge has ruled a summary judgment for the lawsuit in December 2013 rendering Eidos' patent as invalid, and the presiding judge has confirmed the summary judgment in January 2014. Eidos has filed a complaint in February 2014 and the Company remained positive on its defense. The United States Court of Appeals for the Federal Circuit has held a hearing in November 2014 but has not ruled any judgment. The Company is currently assessing the status of the litigation. The Company does not expect that the lawsuit would have a material adverse effect on the Company's financial position or results of operations in the short-term.

(2) Commitments

A. Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Property, plant and equipment	<u>\$ 19,350,952</u>	<u>\$ 13,229,191</u>

## B. Operating lease commitments

The Company leases plant, land and warehouses under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Not later than one year	\$ 500,648	\$ 500,648
Later than one year but not later than five years	1,943,776	1,982,908
Later than five years	<u>1,490,584</u>	<u>1,952,100</u>
	<u>\$ 3,935,008</u>	<u>\$ 4,435,656</u>

## C. Outstanding letters of credit

The outstanding letters of credit for the purchase of property, plant and equipment are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Outstanding letters of credit	<u>\$ 693,635</u>	<u>\$ 390,027</u>

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- (1) Details of cancellation of issuance of global depository receipts (the "GDR") as approved by the Financial Supervisory Commission (FSC) on January 30, 2015 are provided in Note 6(16) C.
- (2) Details of the proposal of syndicated credit line contract with financial institution creditors that was approved by the Board of Directors on February 10, 2015 are provided in Note 6(12) F.

## 12. OTHERS

### (1) Capital risk management

The Company's objectives are to maintain an optimal capital structure, and constructively reduce the debt ratio and the cost of capital in order to maximize shareholders' equity.

### (2) Financial instruments

#### A. Fair value information of financial instruments

Except those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other receivables, other financial assets-current, short-term loans, short-term notes payable, accounts payable and other payables) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

	December 31, 2014		December 31, 2013	
	Book value	Fair value	Book value	Fair value
Financial assets:				
Other financial assets				
- non-current	<u>\$ 11,160,082</u>	<u>\$ 11,103,454</u>	<u>\$ 12,327,722</u>	<u>\$ 12,265,170</u>
Financial liabilities:				
Long-term borrowings (including current portion)	<u>\$ 98,315,426</u>	<u>\$ 98,315,426</u>	<u>\$155,569,218</u>	<u>\$155,569,218</u>

#### B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2), (4)).
- (b) Risk management is carried out by the treasury department under policies approved by the board of directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment by excess liquidity.

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

###### Foreign exchange risk

- a) The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- b) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure via their treasury departments. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Company use forward foreign exchange contracts. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

- c) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). Based on the simulations performed, the impact on post-tax profit of a 1% exchange rate fluctuation would be a decrease of \$13,765 or \$324,198 for the years ended December 31, 2014 and 2013, respectively. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2014			December 31, 2013		
	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)	Foreign Currency Amount (In Thousands)	Exchange Rate (Note)	Book Value (NTD)
<u>Financial asstes</u>						
<u>Monetary items</u>						
USD	\$ 3,689,844	31.65	\$116,783,563	\$ 2,580,180	29.81	\$ 76,915,166
JPY	2,740,487	0.26	725,133	761,223	0.28	213,142
EUR	363,356	38.47	13,978,305	405,043	41.09	16,643,217
<u>Non-monetary items</u>						
USD	\$ 2,217,538	31.65	\$ 70,185,078	\$ 2,108,219	29.81	\$ 62,846,008
HKD	278,754	4.08	1,137,316	266,670	3.84	1,024,013
JPY	5,383,824	0.26	1,424,560	4,813,897	0.28	1,347,891
EUR	3,834	38.47	147,494	3,651	41.09	150,020
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 3,568,162	31.65	\$112,932,327	\$ 3,647,810	29.81	\$108,741,216
JPY	32,732,829	0.26	8,661,107	36,451,156	0.28	10,206,324
EUR	292,958	38.47	11,270,094	176,291	41.09	7,243,797

Note: Exchange rate represents the amount of NT dollars for which one foreign currency could be exchanged.

#### Price risk

- a) The Company is exposed to equity securities price risk because of investments held by the Company that are classified on the parent company only balance sheet either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio in accordance with the policy set by the Company.
- b) The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 20% with all other variables held constant, other components of equity for the years ended December 31, 2014 and 2013 would have increased/decreased by \$620,292 and \$320,825, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

### Interest rate risk

- a) The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years ended December 31, 2014 and 2013, the Company's borrowings at variable rate were denominated in the NTD, USD and RMB.
  - b) The Company analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.
  - c) Based on the simulations performed, the impact on post-tax profit of a 25% shift would be a maximum increase of \$245,892 or decrease of \$389,392 for the years ended December 31, 2014 and 2013, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.
  - d) Based on the various scenarios, the Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Company raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Company borrowed at fixed rates directly. The Company agrees with other parties to exchange interest rate, at specified intervals. The difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.
- (b)Credit risk
- a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Customer credit quality is assessed via internal risk control, considering customer financial position, past experience and other factors. Individual risk limits are set by the board of directors based on internal or external ratings. The utilization of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. Because the Company's counterparties and executor are banks with good credit standing and financial institutions and government with

investment grade or above, there is no significant default. Therefore, there is no significant credit risk.

- b) No credit limits were exceeded during the reporting periods. Management does not expect any significant losses from non-performance by these counterparties.
- c) The individual analysis of financial assets that had been impaired is provided in Note 6.

(c)Liquidity risk

- a) Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(12)) at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and external regulatory or legal requirements.
- b) Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing savings accounts, time deposits, money market deposits and marketable securities. The Company chooses instruments that are with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. These are expected to readily generate cash inflows for managing liquidity risk.
- c) The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2014	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Short-term borrowings	\$ 1,300,000	\$ -	\$ -	\$ -	\$ 1,300,000
Accounts payable	118,902,792	-	-	-	118,902,792
Other payables	18,688,940	-	-	-	18,688,940
Long-term borrowings (including current portion)	61,122,573	37,234,105	-	-	98,356,678
Other financial liabilities	-	11,230,850	-	6,344	11,237,194
Financial guarantee contracts	10,140,660	-	-	-	10,140,660
December 31, 2013	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years	Total
Short-term borrowings	\$ 1,943,565	\$ -	\$ -	\$ -	\$ 1,943,565
Accounts payable	111,001,671	-	-	-	111,001,671
Other payables	15,090,951	-	-	-	15,090,951
Long-term borrowings (including current portion)	155,756,775	-	-	-	155,756,775
Other financial liabilities	-	12,111,981	5,992	38	12,118,011
Financial guarantee contracts	13,528,490	-	-	-	13,528,490

Derivative financial liabilities:

December 31, 2014	Less than 1 year	Between 1 and 3 years	Total
Forward exchange contracts	\$ 605,016	\$ -	\$ 605,016
Interest rate swap contracts	1,351	-	1,351
December 31, 2013	Less than 1 year	Between 1 and 3 years	Total
Forward exchange contracts	\$ 689,097	\$ -	\$ 689,097
Interest rate swap contracts	-	21,918	21,918

(3) Fair value estimation

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

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

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

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

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

<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 52,453	\$ -	\$ 52,453
Available-for-sale financial assets				
Equity securities	2,537,965	-	563,496	3,101,461
Debt securities	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>220,000</u>
	<u>\$ 2,757,965</u>	<u>\$ 52,453</u>	<u>\$ 563,496</u>	<u>\$ 3,373,914</u>
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 605,016	\$ -	\$ 605,016
Derivative financial liabilities for hedging				
Interest rate swap contracts	<u>-</u>	<u>1,351</u>	<u>-</u>	<u>1,351</u>
	<u>\$ -</u>	<u>\$ 606,367</u>	<u>\$ -</u>	<u>\$ 606,367</u>

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets:</u>				
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 227,703	\$ -	\$ 227,703
Available-for-sale financial assets				
Equity securities	959,461	-	644,661	1,604,122
Debt securities	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>220,000</u>
	<u>\$ 1,179,461</u>	<u>\$ 227,703</u>	<u>\$ 644,661</u>	<u>\$ 2,051,825</u>
<u>Financial liabilities:</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 689,097	\$ -	\$ 689,097
Derivative financial liabilities for hedging				
Interest rate swap contracts	<u>-</u>	<u>21,918</u>	<u>-</u>	<u>21,918</u>
	<u>\$ -</u>	<u>\$ 711,015</u>	<u>\$ -</u>	<u>\$ 711,015</u>

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

(d) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

F. All of the resulting fair value estimates are included in level 2 except for certain forward foreign exchange contracts where forward exchange rates are not observable directly in the market.

G. The following table presents the changes in level 3 instruments as at December 31, 2014 and 2013:

	Equity securities	
	2014	2013
At January 1	\$ 644,661	\$ 441,853
Acquired in the period	135,456	-
Gains and losses recognized in other comprehensive income (	216,621)	313,274
Disposed in the period	-	(110,466)
At December 31	<u>\$ 563,496</u>	<u>\$ 644,661</u>

#### (4) Turnaround plan

The Company's current liabilities exceeded its current assets by \$42,313,979 as of December 31, 2014. The Company's management adopted the following measures to improve its operations and financial position:

##### A. Negotiation with the creditor banks as to the debt issue

On April 5, 2012, the Company signed an "Agreed-upon Repayment Agreement" with creditor banks. Under the agreement, creditor banks agreed to extend the due dates for the repayment of the Company's short, medium and long-term loans and to renew the Company's credit lines to safeguard creditors' rights and ensure the Company's continuing operations. More information is described in Note 6(12)C.

In order to repay the unpaid balance of the medium and long-term syndicated loans from the above "Agreed-upon Repayment Agreement", on February 10, 2015, the Board of Directors has approved the proposal for the Company to apply for a syndicated credit line of NTD\$68.5 billion with financial institutions.

##### B. Capital increase by cash

According to the "Agreed-upon Repayment Agreement" (the Agreement) stated in Note 6(12)C, the Company shall increase its capital in certain amount of cash within three years starting from 2012. From 2012 to 2014, the Company has completed some cash capital increase required by the Agreement. For more information, please refer to Notes 6(16)B and D.

As the Company has received bank's approval for extending capital increase, based on shareholders' interest, the issuance of the GDR was cancelled in accordance with the Financial Supervisory Commission (FSC)'s approval. Details are provided in Note 6(16) C.

##### C. Improvements in operations

The Company continuously adjusts its product lines according to the market demands to increase operating revenue and gross profit. The Company also tries to strictly control various

expenses and expenditures to effectively enhance operational performance to create cash inflows from operating activities.

**D.Capital expenditure control program**

Future capital expenditures will focus on the upgrading technology, improving efficiency and expanding production capacity. Capital expenditure budgets and amounts will be controlled strictly to maximize the benefits of capital expenditures.

### 13. ADDITIONAL DISCLOSURES REQUIRED BY THE SECURITIES AND FUTURES BUREAU

(1) Related information of significant transactions

A.Loans granted during the year ended December 31, 2014:

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended	Balance at	Actual amount drawn	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Note
					December 31, 2014	December 31, 2014	down					Item	Value				
1	Innolux Optoelectronics Europe B.V.	Chi Mei Optoelectronics Germany GmbH	Other receivables	Related parties	\$ 30,776	\$ 30,776	\$ -	-	Short-term financing	\$ -	Operating support	\$ -	-	\$-	\$ 227,690,063	\$ 227,690,063	A
2	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Technology Ltd.	Other receivables	Related parties	822,900	-	-	-	Short-term financing	-	Operating support	-	-	-	227,690,063	227,690,063	A
2	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Technology Ltd.	Other receivables	Related parties	3,339,075	3,165,000	3,165,000	2.7641%~2.7807%	Short-term financing	-	Operating support	-	-	-	227,690,063	227,690,063	A
2	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	Other receivables	Related parties	949,500	949,500	949,500	2.7626%	Short-term financing	-	Operating support	-	-	-	227,690,063	227,690,063	A
2	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Display Ltd.	Other receivables	Related parties	949,500	949,500	949,500	2.6506%	Short-term financing	-	Operating support	-	-	-	227,690,063	227,690,063	A
3	Innocom Technology (Shenzhen) Co., Ltd.	Foshan Innolux Optoelectronics Ltd.	Other receivables	Related parties	3,620,680	3,620,680	3,563,266	5.400%	Short-term financing	-	Operating support	-	-	-	227,690,063	227,690,063	A
4	Innolux Technology USA Inc.	Innolux Hong Kong Ltd.	Receivables from related parties	Related parties	189,900	189,900	189,900	0.16%~0.56%	Short-term financing	-	Operating support	-	-	-	227,690,063	227,690,063	A
5	Innolux Technology Europe B.V.	Innolux Hong Kong Ltd.	Receivables from related parties	Related parties	1,491,707	1,491,707	1,461,161	0.007%~0.269%	Short-term financing	-	Operating support	-	-	-	227,690,063	227,690,063	A

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year	Balance at December 31, 2014	Balance at December 31, 2014	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts		Limit on loans granted to a single party	Ceiling on total loans granted	Note	
					ended December 31, 2014								Collateral	Item				Value
6	Bright Information Holding Limited	Kunpal Optoelectronics Ltd.	Other receivables	Related parties	\$ 63,300	\$ -	\$ -	-	-	Short-term financing	\$ -	Operating support	\$ -	-	\$ -	\$ 105,729	\$ 105,729	B
7	Innolux Technology Germany GmbH	Innolux Hong Kong Ltd.	Receivables from related parties	Related parties	24,927	-	-	-	-	Short-term financing	-	Operating support	-	-	-	227,690,063	227,690,063	A
8	Innolux Hong Kong Ltd.	Shanghai Innolux Optoelectronics Ltd.	Receivables from related parties	Related parties	499,941	-	-	-	-	Short-term financing	-	Operating support	-	-	-	227,690,063	227,690,063	A
9	Innolux Technology Japan Co., Ltd.	Leadtek Global Group Limited	Other receivables	Related parties	1,375,920	1,375,920	1,375,920	1.475%	Short-term financing	-	Operating support	-	-	-	227,690,063	227,690,063	A	
10	Innolux Optoelectronics Japan Co., Ltd.	Innolux Corporation	Other receivables	Related parties	396,900	396,900	396,900	1.380%	Business association	2,256,506	-	-	-	-	569,824	569,824	C	
11	Foshan Innolux Optoelectronics Ltd.	Nanhai Chi Mei Optoelectronics Ltd.	Other receivables	Related parties	2,532,000	-	-	-	-	Business association	-	-	-	-	227,690,063	227,690,063	A,D	

Note A: The Company – Innolux Corporation

- 1.For loans obtained for short-term financing, financial limit on loans granted to a single party shall not exceed 10% of the company's net equity, based on the most recent audited financial statements of the company.
- 2.The financial limit on loans granted shall not exceed 40% of the company's net equity. If it is for short-term capital needs, the limit shall not exceed 30% of the company's net equity.
- 3.The policy for loans granted to direct or indirect wholly-owned overseas subsidiaries is as follows: for short-term capital needs, financial limit shall not be below the 40% requirement, but should not exceed 100% of the company's net equity.

Note B: The subsidiary - Bright Information Holding Limited

- 1.For loans obtained for short-term financing, financial limit on loans granted to a single party shall not exceed 10% of the company's net equity, based on the most recent audited financial statements of the company.
- 2.The financial limit on loans granted shall not exceed 30% of the company's net equity.
- 3.For the short-term capital needs of direct or indirect wholly-owned subsidiaries, the above two limitations are not required. However, the financial limit on loans granted shall not exceed 100% of the company's net equity.

Note C: Innolux Optoelectronics Japan Co., Ltd.

1. For the company's short-term capital needs, financial limit on loans granted to a single party shall not exceed 10% of the company's net equity, based on the most recent audited financial statements of the parent company.
2. The financial limit on loans granted shall not exceed 30% of the company's net equity, based on the most recent audited financial statements of the parent company; with intercompany transaction, the company's financial limit on loans granted shall not exceed 40% of the company's equity.
3. The amount of loans provided by the company and intercompany shall not exceed 40% of the company's equity.

Note D: Foshan Innolux Optoelectronics Ltd. entered into a merger agreement with Nanhai Chi Mei Optoelectronics Ltd. on January 1, 2014 and Foshan Innolux Optoelectronics Ltd. is the surviving company.

B. Endorsements and guarantees provided during the year ended December 31, 2014:

Number	Endorsement /guarantee provider	Guaranteed party		Limit on endorsement/ guarantee amount provided to each counterparty	Maximum balance for the year	Actual amount drawn down Ending balance	Amount of endorsement/ guarantee collateralized by properties	Ratio of accumulated endorsement/ guarantee to net equity per latest financial statements	Maximum endorsement/ guarantee amounts allowable	Provision of endorsement/ guarantees by parent company to subsidiary	Provision of endorsement/ guarantees by subsidiary to parent company	Provision of endorsements /guarantees to the party in Mainland China	Note	
		Name	Nature of relationship											
0	Innolux Corporation	Leadtek Global Group Limited	An indirect wholly- owned subsidiary	\$113,845,032	\$16,901,100	\$16,901,100	\$10,140,660	\$ -	7.42%	\$113,845,032	Y	N	N	A,B

Note A: Limits on endorsement/guarantee amount provided to each counterparty did not exceed 0.5% of the Company's net equity based on the most recent audited financial statements of the Company. Maximum endorsement/guarantee amounts allowable should not exceed 1% of the Company's net equity based on the most recent audited financial statements of the Company. For subsidiaries with over 90% of shares directly or indirectly owned by the Company, the endorsement/guarantee amount provided by the Company shall not exceed 10% of the Company's net equity. The limitation is not required for direct or indirect wholly-owned subsidiaries of the Company.

Note B: Accumulated endorsement/guarantee amount provided by the Company shall not exceed 50% of the Company's net equity.

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

Securities held by	Kind and name of marketable securities	Relationship with the Company	General ledger account	December 31, 2014				Note
				Number of shares	Book value	Percentage	Fair value	
<u>Common stock</u>								
Innolux Corporation	AvanStrate Inc.	None	Available-for-sale financial assets - non-current	900,000	\$ 80,302	1	\$ 80,302	
Innolux Corporation	TPV Technology Ltd.	None	Available-for-sale financial assets - non-current	150,500,000	1,031,587	6	1,031,587	
Innolux Corporation	Chi Lin Optoelectronics Co., Ltd.	None	Available-for-sale financial assets - non-current	48,283,725	483,194	19	483,194	
Innolux Corporation	Epistar Corp.	None	Available-for-sale financial assets - non-current	89,072	5,603	-	5,603	
Innolux Corporation	Chi Mei Materials Technology Corporation	None	Available-for-sale financial assets - non-current	45,068,305	1,500,775	9	1,500,775	
<u>Bond</u>								
Innolux Corporation	Unsecured subordinated bonds of Cathay Financial Holdings	None	Available-for-sale financial assets - current	-	220,000	-	220,000	
<u>Common stock</u>								
Yuan Chi Investment Co., Ltd.	Trillion Science, Inc.	None	Available-for-sale financial assets - non-current	1,439,180	2,252	2	2,252	
Yuan Chi Investment Co., Ltd.	China Electric Mfg. Corp.	None	Available-for-sale financial assets - non-current	13,000,000	140,400	3	140,400	
Yuan Chi Investment Co., Ltd.	Tera Xtal Technology Corporation	None	Available-for-sale financial assets - non-current	4,900,000	56,693	3	56,693	
InnoJoy Investment Corporation	Advanced Optoelectronic Technology, Inc.	None	Financial asset at fair value through profit or loss	11,165,222	605,155	8	605,155	
InnoJoy Investment Corporation	J TOUCH Corporation	None	Available-for-sale financial assets - non-current	1,080,749	19,507	1	19,507	
InnoJoy Investment Corporation	Fitipower Integrated Technology Inc.	None	Available-for-sale financial assets - non-current	10,000,000	343,350	8	343,350	
InnoJoy Investment Corporation	G-TECH Optoelectronics Corporation	None	Available-for-sale financial assets - non-current	6,311,734	184,934	2	184,934	

Securities held by	Kind and name of marketable securities	Relationship with the Company	General ledger account	December 31, 2014				Note
				Number of shares	Book value	Percentage	Fair value	
InnoJoy Investment Corporation	Entire Technology Co., Ltd.	None	Available-for-sale financial assets - non-current	7,506,326	\$ 177,900	5	\$ 177,900	
Warriors Technology Investments Ltd.	OED Holding Ltd.	None	Available-for-sale financial assets - non-current	16,000,000	3,553	6	3,553	
Warriors Technology Investments Ltd.	General Interface Solution (GIS) Holding Limited	None	Available-for-sale financial assets - non-current	40,500,000	900,242	14	900,242	
Warriors Technology Investments Ltd.	Perfect Optronics Limited	None	Available-for-sale financial assets - non-current	22,000,000	178,621	2	178,621	
Nets Trading Ltd.	PilotTech Global Fund	None	Available-for-sale financial assets - non-current	90	28,204	-	28,204	

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

Company name	Marketable securities type and name	Financial statement account	Counterparty	Nature of relationship	Beginning balance		Acquisition		Disposal				Ending balance		Note
					Shares/units	Amount	Shares/units	Amount	Shares/units	Amount	Carrying value	Gain (loss) on disposal	Shares/units	Amount	
Innolux Corporation	Toppoly Optoelectronics (B.V.I.) Ltd.	Investments accounted for under the equity method	A	B	126,847,000	\$3,064,699	17,600,000	\$531,608	-	\$-	\$-	\$-	144,447,000	\$3,596,307	
Toppoly Optoelectronics (B.V.I.) Ltd.	Toppoly Optoelectronics (Cayman) Ltd.	Investments accounted for under the equity method	A	C	126,817,000	3,040,776	17,600,000	531,608	-	-	-	-	144,417,000	3,572,384	
Toppoly Optoelectronics (Cayman) Ltd.	Nanjing Innolux Optoelectronics Ltd.	Investments accounted for under the equity method	A	C	-	2,935,314	-	531,608	-	-	-	-	-	3,466,922	
Innolux Corporation	Chi Mei Materials Technology Corporation	Available-for-sale financial assets - non-current	Open market	None	80,184,305	2,372,660	-	-	(35,116,000)	1,308,457	(871,885)	436,572	45,068,305	1,500,775	D
Innolux Corporation	Control Technology Co., Ltd.	Available-for-sale financial assets - non-current	Open market	None	17,009,330	464,322	-	-	(17,009,330)	314,798	(464,322)	(149,524)	-	-	D
Warriors Technology Investments Ltd.	Perfect Optronics Limited	Available-for-sale financial assets - non-current	Open market	None	-	-	66,000,000	77,236	(44,000,000)	317,743	(51,491)	266,252	22,000,000	25,745	E

Note A: Cash capital increase implemented by an investee.

Note B: A subsidiary of the Company.

Note C: An indirect wholly-owned subsidiary.

Note D: The beginning carrying balance included profits and losses from investments. The beginning shares included stock dividends.

Note E: Ending book value excludes gain (loss) on valuation of financial assets.

E.Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more for the year ended December 31, 2014: None.

F.Disposal of real estate reaching \$300 million or 20% of paid-in capital or more for the year ended December 31, 2014: None.

G.Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more:

Company	Counterparty	Relationship with the Company	Transactions				Difference with general transactions (Note A)		Notes and accounts receivable (payable)		Note
			Purchases/ sales	Amount	Percentage of purchases/ sales	Terms	Unit price	Terms	Balance	Percentage of balance	
Innolux Corporation	Shenzhen Fu Tai Hong Precision Industry Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	\$ 5,497,697	1	60 days	Similar with general sales	No significant difference	\$ 1,543,053	2	
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Sales	3,977,339	1	45-60 days	Similar with general sales	No significant difference	1,875,465	3	
Innolux Corporation	Honfujin Precision Electronics (Chongqing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	3,558,807	1	45-90 days	Similar with general sales	No significant difference	1,282,691	2	
Innolux Corporation	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Sales	2,687,589	1	60-90 days	Similar with general sales	No significant difference	-	-	
Innolux Corporation	Innolux Optoelectronics Japan Co., Ltd.	A subsidiary of the Company	Sales	1,757,646	-	45 days	Single purchases target, no basis for comparison	No significant difference	186,694	-	
Innolux Corporation	Innolux Technology USA Inc.	An indirect wholly-owned subsidiary	Sales	1,231,983	-	60 days	Similar with general sales	No significant difference	173,861	-	
Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	850,573	-	90 days	Similar with general sales	No significant difference	1,649	-	
Innolux Corporation	Innolux Optoelectronics USA, Inc.	An indirect wholly-owned subsidiary	Sales	714,609	-	45 days	Similar with general sales	No significant difference	133,856	-	
Innolux Corporation	Innolux Hong Kong Ltd.	An indirect wholly-owned subsidiary	Sales	635,548	-	60 days	Similar with general sales	No significant difference	-	-	
Innolux Corporation	Hongfujin Precision Industry (Wuhan) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	391,448	-	45-60 days	Similar with general sales	No significant difference	93,428	-	
Innolux Corporation	FuTaiJing Precision Electronics (Yantai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	341,756	-	60 days	Similar with general sales	No significant difference	7,469	-	

Company	Counterparty	Relationship with the Company	Transactions				Difference with general transactions (Note A)		Notes and accounts receivable (payable)		Note
			Purchases/ sales	Amount	Percentage of purchases/		Unit price	Terms	Balance	Percentage of balance	
					sales	Terms					
Innolux Corporation	Futaijing Precision Electronics (Beijing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	\$ 191,636	-	60 days	Similar with general sales	No significant difference	\$ 179,404	-	
Innolux Corporation	Ambit Microsystem (Shanghai) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	133,220	-	60 days	Similar with general sales	No significant difference	2,036	-	
Innolux Corporation	HongFuJin Precision Electronics (HengYang) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Sales	101,020	-	45 days	Similar with general sales	No significant difference	-	-	
Innolux Corporation	Chi Mei Materials Technology Corporation	An investee company accounted for under the equity method	Purchases	4,407,106	1	90 days after acceptance	Single purchases target, no basis for comparsion	No significant difference	-	-	
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,820,509	-	60~90 days after acceptance	Single purchases target, no basis for comparsion	No significant difference	( 726,789)	1	
Innolux Corporation	Chi Lin Optoelectronics Co., Ltd.	The company is a corporate director of Chi Lin Optoelectronics Co., Ltd.	Purchases	898,860	-	120 days after acceptance	Single purchases target, no basis for comparsion	No significant difference	( 609,775)	1	
Innolux Corporation	Innolux Optoelectronics Japan Co., Ltd.	A subsidiary of the Company	Purchases	296,646	-	30 days after acceptance	Single purchases target, no basis for comparsion	No significant difference	( 16,826)	-	
Innolux Corporation	Leadtek Global Group Limited	A subsidiary of the Company	Processing expense	78,866,584	20	60-90 days	Cost plus	No significant difference	( 42,634,612)	36	
Innolux Corporation	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Processing expense	53,598,757	14	60-90 days	Cost plus	No significant difference	( 32,726,649)	28	
Innolux Corporation	Innolux Hong Kong Ltd.	An indirect wholly-owned subsidiary	Processing expense	35,408,180	9	60-90 days	Cost plus	No significant difference	( 8,444,162)	7	
Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	A subsidiary of the Company	Processing revenue	41,971,830	91	90 days	Similar with general sales	No significant difference	19,784,634	92	

Company	Counterparty	Relationship with the Company	Transactions				Difference with general transactions (Note A)		Notes and accounts receivable (payable)		
			Purchases/ sales	Amount	Percentage of purchases/ sales	Terms	Unit price	Terms	Balance	Percentage of balance	Note
Foshan Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Processing revenue	\$36,601,008	48	60 days	Similar with general sales	No significant difference	\$22,267,762	94	
Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Ltd.	An indirect wholly-owned subsidiary	Processing revenue	34,677,066	97	90 days	Similar with general sales	No significant difference	7,884,481	97	
Ningbo Innolux Technology Ltd.	Leadtek Global Group Limited	A subsidiary of the Company	Processing revenue	19,610,772	92	90 days	Similar with general sales	No significant difference	6,966,625	90	
Foshan Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	A subsidiary of the Company	Processing revenue	16,648,612	17	90 days	Similar with general sales	No significant difference	-	-	
Shanghai Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Processing revenue	12,863,897	95	60 days	Similar with general sales	No significant difference	3,069,946	95	
Ningbo Innolux Display Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Processing revenue	3,116,868	98	90 days	Similar with general sales	No significant difference	986,622	100	
Innocom Technology (Shenzhen) Co., Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	Processing revenue	1,226,867	47	60 days	Similar with general sales	No significant difference	2,158,754	58	
Innolux Technology Japan Co., Ltd.	Innolux Hong Kong Ltd.	An indirect wholly-owned subsidiary	Service revenue	306,702	85	60 days	Similar with general sales	No significant difference	45,553	94	
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Technology Ltd.	An indirect wholly-owned subsidiary	Sales	2,079,743	2	90 days	Similar with general sales	No significant difference	965,551	3	
Shanghai Innolux Optoelectronics Ltd.	Nanjing Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	Sales	723,106	4	60 days	Similar with general sales	No significant difference	142,914	3	
Ningbo Innolux Optoelectronics Ltd.	Ningbo Chi Mei Materials Technology Co., Ltd.	Subsidiary of an investee company accounted for under the equity method	Purchases	3,169,506	4	90 days after goods are shipped	Similar with general sales	No significant difference	-	-	

Company	Counterparty	Relationship with the Company	Transactions				Difference with general transactions (Note A)		Notes and accounts receivable (payable)		Note
			Purchases/ sales	Amount	Percentage of purchases/ sales		Unit price	Terms	Balance	Percentage of balance	
					Terms	Terms					
Ningbo Innolux Optoelectronics Ltd.	Ningbo Lin Moug Optronics Co., Ltd.	An indirect wholly-owned subsidiary of Chi Lin Optoelectronics Co., Ltd.	Purchases	\$ 2,921,686	3	60 days after goods are shipped	Similar with general sales	No significant difference	(\$ 1,188,883)	6	
Foshan Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,903,333	2	90 days after goods are shipped	Similar with general sales	No significant difference	( 388,841)	1	
Ningbo Innolux Optoelectronics Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,860,997	2	60 days after goods are shipped	Similar with general sales	No significant difference	( 688,812)	3	
Foshan Innolux Optoelectronics Ltd.	Ningbo Chi Mei Materials Technology Co., Ltd.	Subsidiary of an investee company accounted for under the equity method	Purchases	1,546,583	1	90 days after goods are shipped	Similar with general sales	No significant difference	-	-	
Ningbo Innolux Technology Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	1,022,838	3	90 days after goods are shipped	Similar with general sales	No significant difference	( 300,694)	3	
Ningbo Innolux Technology Ltd.	Ningbo Chi Mei Materials Technology Co., Ltd.	Subsidiary of an investee company accounted for under the equity method	Purchases	779,482	2	90 days after goods are shipped	Similar with general sales	No significant difference	-	-	
Foshan Innolux Optoelectronics Ltd.	Chi Mei Materials Technology Corporation	An investee company accounted for under the equity method	Purchases	701,095	1	90 days after goods are shipped	Similar with general sales	No significant difference	-	-	
Ningbo Innolux Optoelectronics Ltd.	Hongfujin Precision Industry (Shenzhen) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Purchases	539,927	1	90 days after goods are shipped	Similar with general sales	No significant difference	( 173,670)	1	
Foshan Innolux Optoelectronics Ltd.	GIO Optoelectronics Corp.	An investee company accounted for under the equity method	Purchases	412,044	-	90 days after goods are shipped	Similar with general sales	No significant difference	( 26,952)	-	
Ningbo Innolux Technology Ltd.	Ningbo Lin Moug Optronics Co., Ltd.	An indirect wholly-owned subsidiary of Chi Lin Optoelectronics Co., Ltd.	Purchases	364,731	1	120 days after goods are shipped	Similar with general sales	No significant difference	( 200,785)	2	

Company	Counterparty	Relationship with the Company	Purchases/ sales	Transactions			Difference with general transactions (Note A)		Notes and accounts receivable (payable)		Note
				Amount	Percentage of purchases/ sales	Terms	Unit price	Terms	Balance	Percentage of balance	
Ningbo Innolux Display Ltd.	Ningbo Chi Mei Materials Technology Co., Ltd.	Subsidiary of an investee company accounted for under the equity method	Purchases	\$ 179,536	4	90 days after goods are shipped	Similar with general sales	No significant difference	\$ -	-	
Ningbo Innolux Display Ltd.	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	Purchases	155,767	3	90 days after goods are shipped	Similar with general sales	No significant difference	( 63,614)	6	
Foshan Innolux Optoelectronics Ltd.	Ampower Technology Co., Ltd.	The company is a corporate director of Ampower Technology Co., Ltd.	Purchases	130,295	-	90 days after goods are shipped	Similar with general sales	No significant difference	( 3,401)	-	
Innocom Technology (Shenzhen) Co., Ltd.	Jizhun Precision Industry (Huizhou) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Processing expense	167,217	9	30 days	Similar with general sales	No significant difference	( 21,059)	3	
Innocom Technology (Shenzhen) Co., Ltd.	Hongfujin Precision Industry (Shenzhen) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	Processing expense	114,341	6	30 days	Similar with general sales	No significant difference	( 23,662)	4	

Note A: Accounts for the cost of goods sold ratio.

H.Receivables from related parties exceeding \$100 million or 20% of the Company's paid-in capital:

Company	Counterparty	Relationship with the Company	Balance of receivable from related parties	Turnover rate	Overdue receivables		Subsequent collection	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
Innolux Corporation	Shenzhen Fu Tai Hong Precision Industry Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	\$ 1,543,053	7.12	\$ -	-	\$ 661,954	\$ -
Innolux Corporation	Hon Hai Precision Industry Co., Ltd.	Same major stockholder	1,875,465	3.85	110,139	Subsequent collection	78,424	-
Innolux Corporation	Honfujin Precision Electronics (Chongqing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	1,282,691	3.28	209,867	Subsequent collection	378,539	-
Innolux Corporation	Kang Zhun Electronical Technology (Kunshan) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	489,164	-	71,285	Subsequent collection	106,435	-
Innolux Corporation	Innolux Optoelectronics Japan Co., Ltd.	A subsidiary of the Company	186,694	11.39	-	-	-	-
Innolux Corporation	Futaijing Precision Electronics (Beijing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	179,404	2.14	1,802	Subsequent collection	8,405	-
Innolux Corporation	Innolux Technology USA Inc.	An indirect wholly-owned subsidiary	173,861	9.93	-	-	-	-
Innolux Corporation	Innolux Optoelectronics USA, Inc.	An indirect wholly-owned subsidiary	133,856	5.93	-	-	96,199	-
Foshan Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	22,267,762	2.34	17,331,083	Subsequent collection	3,896,237	-
Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	A subsidiary of the Company	19,784,634	2.29	4,667,893	Subsequent collection	3,165,386	-
Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Ltd.	An indirect wholly-owned subsidiary	7,884,481	3.73	-	-	2,943,828	-
Ningbo Innolux Technology Ltd.	Leadtek Global Group Limited	A subsidiary of the Company	6,966,625	3.10	928,046	Subsequent collection	2,025,388	-
Shanghai Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	3,069,946	5.48	579,608	Subsequent collection	579,608	-
Innocom Technology (Shenzhen) Co., Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	2,158,754	0.77	1,622,044	Subsequent collection	-	-

Company	Counterparty	Relationship with the Company	Balance of receivable from related parties	Turnover rate	Overdue receivables		Subsequent collection	Allowance for doubtful accounts provided
					Amount	Action adopted for overdue accounts		
Ningbo Innolux Display Ltd.	Lakers Trading Ltd.	An indirect wholly-owned subsidiary	\$ 986,622	6.45	\$ -	-	\$ 89,598	\$ -
Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Technology Ltd.	An indirect wholly-owned subsidiary	965,551	2.87	54,787	Subsequent collection	681,627	-
Shanghai Innolux Optoelectronics Ltd.	Nanjing Innolux Optoelectronics Ltd.	An indirect wholly-owned subsidiary	142,914	5.36	-	-	-	-
Innocom Technology (Shenzhen) Co., Ltd.	Honfujin Precision Electronics (Chongqing) Co., Ltd.	An indirect wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd.	111,123	-	111,123	Subsequent collection	-	-

I. Derivative financial instruments undertaken during the year ended December 31, 2014: Please refer to Notes 6(2) and 6(4).

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

Number	Name of counterparty	Name of transaction parties	Relationship (Note A)	Information from transactions (Note C)		Transaction terms (Note B)	Percentage of total combined revenue or total assets
				General ledger account	Amount		
0	Innolux Corporation	Innolux Hong Kong Ltd.	1	Sales	\$ 635,548	-	-
0	Innolux Corporation	Innolux Hong Kong Ltd.	1	Processing expense	35,408,180	-	8
0	Innolux Corporation	Innolux Hong Kong Ltd.	1	Accrued expense	( 8,444,162)	-	2
0	Innolux Corporation	Innolux Optoelectronics Japan Co.,Ltd.	1	Sales	1,757,646	-	-
0	Innolux Corporation	Innolux Optoelectronics Japan Co.,Ltd.	1	Accounts receivable	186,694	-	-
0	Innolux Corporation	Innolux Optoelectronics Japan Co.,Ltd.	1	Purchases	296,646	-	-
0	Innolux Corporation	Innolux Optoelectronics USA, Inc.	1	Sales	714,609	-	-
0	Innolux Corporation	Innolux Optoelectronics USA, Inc.	1	Accounts receivable	133,856	-	-
0	Innolux Corporation	Innolux Technology USA Inc.	1	Sales	1,231,983	-	-
0	Innolux Corporation	Innolux Technology USA Inc.	1	Accounts receivable	173,861	-	-
0	Innolux Corporation	Lakers Trading Ltd.	1	Sales	2,687,589	-	1
0	Innolux Corporation	Lakers Trading Ltd.	1	Processing expense	53,598,757	-	12
0	Innolux Corporation	Lakers Trading Ltd.	1	Accrued expense	( 32,726,649)	-	8
0	Innolux Corporation	Leadtek Global Group Limited	1	Processing expense	78,866,584	-	18
0	Innolux Corporation	Leadtek Global Group Limited	1	Accrued expense	( 42,634,612)	-	10
0	Innolux Corporation	Foshan Innolux Optoelectronics Ltd.	1	Sales	850,573	-	-
1	Innolux Technology Japan Co., Ltd.	Innolux Hong Kong Ltd.	3	Service revenue	306,702	-	-
2	Shanghai Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	3	Processing revenue	12,863,897	-	3
2	Shanghai Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	3	Accounts receivable	3,069,946	-	1
2	Shanghai Innolux Optoelectronics Ltd.	Nanjing Innolux Optoelectronics Ltd.	3	Sales	723,106	-	-
2	Shanghai Innolux Optoelectronics Ltd.	Nanjing Innolux Optoelectronics Ltd.	3	Accounts receivable	142,914	-	-
3	Foshan Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	3	Processing revenue	36,601,008	-	8
3	Foshan Innolux Optoelectronics Ltd.	Lakers Trading Ltd.	3	Accounts receivable	22,267,762	-	5
3	Foshan Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	3	Processing revenue	16,648,612	-	4
4	Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Ltd.	3	Processing revenue	34,677,066	-	8
4	Nanjing Innolux Optoelectronics Ltd.	Innolux Hong Kong Ltd.	3	Accounts receivable	7,884,481	-	2
5	Innocom Technology (Shenzhen) Co., Ltd.	Lakers Trading Ltd.	3	Processing revenue	1,226,867	-	-
5	Innocom Technology (Shenzhen) Co., Ltd.	Lakers Trading Ltd.	3	Accounts receivable	2,158,754	-	1
6	Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	3	Processing revenue	41,971,830	-	9

Number	Name of counterparty	Name of transaction parties	Relationship (Note A)	Information from transactions (Note C)			Percentage of total combined revenue or total assets
				General ledger account	Amount	Transaction terms (Note B)	
6	Ningbo Innolux Optoelectronics Ltd.	Leadtek Global Group Limited	3	Accounts receivable	\$ 19,784,634	-	5
6	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Technology Ltd.	3	Sales	2,079,743	-	-
6	Ningbo Innolux Optoelectronics Ltd.	Ningbo Innolux Technology Ltd.	3	Accounts receivable	965,551	-	-
7	Ningbo Innolux Technology Ltd.	Leadtek Global Group Limited	3	Processing revenue	19,610,772	-	4
7	Ningbo Innolux Technology Ltd.	Leadtek Global Group Limited	3	Accounts receivable	6,966,625	-	2
8	Ningbo Innolux Display Ltd.	Lakers Trading Ltd.	3	Processing revenue	3,116,868	-	1
8	Ningbo Innolux Display Ltd.	Lakers Trading Ltd.	3	Accounts receivable	986,622	-	-

Note A: Relationship with the transaction company:

1. The parent company to the subsidiary.
3. The subsidiary to the subsidiary.

Note B: Except for no comparable transactions from related parties, sales prices were similar to non-related parties transactions and the collection period was 30~120 days; the purchases from related parties were at market prices and payment term was 30~120 days upon receipt of goods.

Note C: Amount disclosure standard: purchases, sales and receivables from related parties in excess of \$100 million or 20% of capital.

(2) Information on investees

The information on the name, the location...etc of the investee companies is shown below (not including investees in Mainland China):

Name of company	Investee company	Location	Main operating activities	Original cost		Held by the Company at December 31, 2014			Net income (loss) of the investee company	Investment income (loss) recognized by the Company
				December 31, 2014	December 31, 2013	Number of shares	Percentage of ownership (%)	Book value		
Innolux Corporation	Bright Information Holding Ltd.	Hong Kong	Investment holdings	\$ 119,724	\$ 74,924	4,910,000	100	\$ 185,214	\$ 423	\$ 114
Innolux Corporation	Gold Union Investments Ltd.	Samoa	Investment holdings	348,999	779,152	31,783,000	100	116,227	111,306	111,306
Innolux Corporation	Golden Achiever International Ltd.	BVI	Investment holdings	9,083	9,083	39,250	100	( 21,849)	( 573)	6,829
Innolux Corporation	Innolux Holding Ltd.	Samoa	Investment holdings	7,858,300	8,000,912	246,768,185	100	16,796,396	324,999	311,917
Innolux Corporation	Keyway Investment Management Limited	Samoa	Investment holdings	197,554	197,554	5,656,410	100	277,422	5,890	5,890
Innolux Corporation	Landmark International Ltd.	Samoa	Investment holdings	32,925,315	32,925,315	693,100,000	100	41,425,623	4,430,141	4,356,784
Innolux Corporation	Toppoly Optoelectronics (B.V.I.) Ltd.	BVI	Investment holdings	3,596,307	3,064,699	144,447,000	100	5,945,861	740,811	740,811
Innolux Corporation	Innolux Hong Kong Holding Ltd.	Hong Kong	Investment holdings	2,107,291	2,107,291	1,158,844,000	100	2,393,227	493,840	518,932
Innolux Corporation	Leadtek Global Group Limited	BVI	Order swap company	-	-	50,000,000	100	( 358,432)	( 96,260)	( 96,260)
Innolux Corporation	Yuan Chi Investment Co., Ltd.	Taiwan	Investment company	1,217,235	1,217,235	-	100	918,468	31,904	31,904
Innolux Corporation	InnoJoy Investment Corporation	Taiwan	Investment company	1,078,166	1,078,166	167,405,392	100	1,670,083	( 162,272)	( 162,272)
Innolux Corporation	Innolux Optoelectronics Europe B.V.	Netherlands	Importing, exporting, buying, selling and logistics services of electronic equipment and TFT-LCD monitors	121,941	121,941	180	100	152,269	7,361	7,361

Name of company	Investee company	Location	Main operating activities	Original cost		Held by the Company at December 31, 2014			Net income (loss) of the investee company	Investment income (loss) recognized by the Company
				December 31, 2014	December 31, 2013	Number of shares	Percentage of ownership (%)	Book value		
Innolux Corporation	Innolux Optoelectronics Japan Co., Ltd.	Japan	Researching, manufacturing and selling of the film transistor liquid crystal display	\$ 1,335,486	\$ 1,335,486	80	100	\$ 1,572,495	\$ 68,864	\$ 68,864
Innolux Corporation	Ampower Holding Ltd.	Cayman	Investment holdings	1,717,714	1,717,714	14,062,500	47	1,477,199	( 276,629)	( 90,897)
Innolux Corporation	Jetronics International Corp.	Samoa	Investment holdings	86,149	145,600	726,941	32	( 1,771)	( 85,293)	41,869
Innolux Corporation	FI Medical Device Manufacturing Co., Ltd.	Taiwan	Photographic and optical instruments manufacturing	73,500	-	7,350,000	49	73,164	686	336
Innolux Corporation	iZ3D, Inc.	USA	Research and development and sale of 3D flat monitor	-	-	4,333	35	-	-	-
Innolux Corporation	Chi Mei Lighting Technology Corporation	Taiwan	Manufacturing of electronic equipment and lighting equipment	819,312	819,312	78,195,856	33	-	-	-
Innolux Corporation	Chi Mei EI Corporation	Taiwan	Developing, designing, manufacturing and selling of organic light emitting diodes	361,382	361,382	155,500,000	97	24,799	( 5,702)	( 5,541)
Innolux Corporation	GIO Optoelectronics Corp.	Taiwan	Developing, designing, manufacturing and selling of components of back light module on TFT-LCD	800,892	800,892	63,521,501	24	449,994	( 112,745)	( 26,811)
Innolux Holding Ltd.	Rockets Holding Ltd.	Samoa	Investment holdings	7,296,530	7,426,240	226,504,550	100	15,261,115	71,583	71,583
Innolux Holding Ltd.	Suns Holding Ltd.	Samoa	Investment holdings	555,422	568,324	18,177,052	100	1,404,398	255,129	255,129
Innolux Holding Ltd.	Lakers Trading Ltd.	Samoa	Order swap company	-	-	1	100	241,128	-	-
Innolux Holding Ltd.	Innolux Corporation	USA	Distributor company	6,348	6,348	2,000	100	( 88,218)	( 1,722)	( 1,722)

Name of company	Investee company	Location	Main operating activities	Original cost		Held by the Company at December 31, 2014			Net income (loss) of the investee company	Investment income (loss) recognized by the Company
				December 31, 2014	December 31, 2013	Number of shares	Percentage of ownership (%)	Book value		
Toppoly Optoelectronics (B.V.I.) Ltd.	Toppoly Optoelectronics (Cayman) Ltd.	Cayman	Investment holdings	\$ 3,572,384	\$ 3,040,776	144,417,000	100	\$ 6,181,164	\$ 740,811	\$ 740,811
Innolux Hong Kong Holding Ltd.	Innolux Optoelectronics Hong Kong Holding Ltd.	Hong Kong	Investment holdings	-	-	162,897,802	100	780,296	233,398	233,398
Innolux Hong Kong Holding Ltd.	Innolux Hong Kong Ltd.	Hong Kong	Order swap company	-	-	35,000,000	100	( 2,095,946)	320,095	320,095
Innolux Hong Kong Holding Ltd.	Innolux Technology Europe B.V.	Netherlands	Holding company and R&D testing company	3,073,072	3,073,072	375,810	100	2,410,215	35,651	35,651
Innolux Hong Kong Holding Ltd.	Innolux Technology Japan Co., Ltd.	Japan	Distributor company	1,815,603	1,815,603	201	100	1,647,930	( 128,257)	( 128,257)
Innolux Hong Kong Holding Ltd.	Innolux Technology USA Inc.	USA	Distributor company	263,685	263,685	1,000	100	326,317	31,730	31,730
Innolux Optoelectronics Europe B.V.	Chi Mei Optoelectronics Germany GmbH	Germany	Importing, exporting, buying, selling and logistics services of electronic equipment and TFT-LCD monitors	10,324	10,324	250	100	26,937	3,753	3,753
Innolux Optoelectronics Japan Co., Ltd.	Innolux Optoelectronics USA, Inc.	USA	Selling of electronic equipment and computer monitors	2,400	2,400	1,000	100	258,769	23,063	23,063
Rockets Holding Ltd.	Best China Investments Ltd.	Samoa	Investment holdings	314,740	314,740	10,000,001	100	255,806	36,380	36,380
Rockets Holding Ltd.	Mega Chance Investments Ltd.	Samoa	Investment holdings	573,940	573,940	18,000,000	100	421,268	1,221	1,221
Rockets Holding Ltd.	Magic Sun Ltd.	Samoa	Investment holdings	1,146,370	1,146,370	38,000,001	100	1,018,638	3,328	3,328
Rockets Holding Ltd.	Stanford Developments Ltd.	Samoa	Investment holdings	5,391,125	5,391,125	164,000,000	100	13,534,845	36,362	36,362

Name of company	Investee company	Location	Main operating activities	Original cost		Held by the Company at December 31, 2014			Net income (loss) of the investee company	Investment income (loss) recognized by the Company
				December 31, 2014	December 31, 2013	Number of shares	Percentage of ownership (%)	Book value		
Rockets Holding Ltd.	Nets Trading Ltd.	Samoa	Investment company	\$ 27,477	\$ -	900,001	100	\$ 30,441	\$ -	\$ -
Suns Holding Ltd.	Warriors Technology Investments Ltd.	Samoa	Investment company	555,422	568,324	18,177,052	100	1,404,397	255,127	255,127
Innolux Technology Europe B.V.	Innolux Technology Germany GmbH	Germany	Testing and maintenance company	33,735	33,735	100,000	100	63,152	41	41
Best China Investments Ltd.	Asiaward Investment Ltd.	Hong Kong	Investment holdings	314,740	314,740	77,830,001	100	255,806	36,380	36,380
Mega Chance Investments Ltd.	Main Dynasty Investment Ltd.	Hong Kong	Investment holdings	573,940	573,940	139,623,801	100	421,267	1,221	1,221
Magic Sun Ltd.	Sun Dynasty Development Ltd.	Hong Kong	Investment holdings	1,146,370	1,146,370	295,969,001	100	1,018,638	3,328	3,328
Yuan Chi Investment Co., Ltd.	Chi Mei Lighting Technology Corporation	Taiwan	Trading business, manufacturing of electronic equipment and lighting equipment	263,812	263,812	19,673,402	8	-	-	-
Yuan Chi Investment Co., Ltd.	GIO Optoelectronics Corp.	Taiwan	Developing, designing, manufacturing and selling of components of back light module on TFT-LCD	6,881	6,881	467,519	0	732	( 112,745)	( 203)
Yuan Chi Investment Co., Ltd.	Chi Mei Logistics Corp.	Taiwan	Warehousing services	-	124,485	-	0	-	5,843	2,863
Yuan Chi Investment Co., Ltd.	TOA Optronics Corporation	Taiwan	Selling electronic materials, trading business, manufacturing of electronic equipments and lighting equipments	423,606	423,606	58,007,000	40	364,907	( 105,740)	( 45,764)

(3) Information on investments in Mainland China

A. Basic information:

Name of investee in Mainland China	Main activities of investee	Capital (Note A)	Method of Investment (Note D)	Balance of amount remitted from Taiwan on January 1, 2014	Transactions during Jan. 1, 2014~Dec. 31, 2014 (in thousands of NTD)		Balance of amount remitted from Taiwan as of Dec. 31, 2014	Net income of investee for the year ended Dec. 31, 2014	Ownership percentage held by the Company (Direct/indirect)	Profit	Book value of investment as of Dec. 31, 2014	Profit
					Remittance out	Remittance in				recognized during Jan. 1, 2014~ Dec. 31, 2014 (Note B)		remitted to Taiwan during Jan. 1, 2014 ~ Dec. 31, 2014
Innocom Technology (Shenzhen) Co., Ltd.	Manufacturing and selling of LCD backend module and related components	\$ 5,190,600	1	\$ 4,016,756	\$ -	\$ -	\$ 4,016,756	\$ 36,362	100	\$ 36,362	\$ 13,534,833	\$ 1,173,844
Innocom Technology (Chengdu) Co., Ltd.	Manufacturing and selling of LCD backend module and related components	1,202,700	1	1,202,700	-	-	1,202,700	3,328	100	3,328	1,018,638	-
OED Company	Manufacturing and selling of electronic paper	256,112	1	63,300	-	-	63,300	( 140,976)	5	-	12,989	-
Ningbo Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	9,811,500	2	1,396,613	-	(1,163,508)	233,105	2,070,696	100	2,070,696	20,601,650	5,463,896
Ningbo Innolux Technology Ltd.	Manufacturing and selling of LCD backend module and related components	4,114,500	2	4,114,500	-	-	4,114,500	491,039	100	491,039	3,218,102	-
Foshan Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	12,121,950	2	12,121,950	-	-	12,121,950	1,866,041	100	1,868,407	18,607,398	-
Ningbo Innolux Display Ltd.	Manufacturing and selling of LCD backend module and related components	949,500	3	949,500	-	-	949,500	34,860	100	34,860	260,746	-

Name of investee in Mainland China	Main activities of investee	Capital (Note A)	Method of Investment (Note D)	Balance of amount remitted from Taiwan on January 1, 2014	Transactions during Jan. 1, 2014~Dec. 31, 2014 (in thousands of NTD)		Balance of amount remitted from Taiwan as of Dec. 31, 2014	Net income of investee for the year ended Dec. 31, 2014	Ownership percentage held by the Company (Direct/indirect)	Profit	Book value of investment as of Dec. 31, 2014	Profit
					Remittance out	Remittance in				recognized during Jan. 1, 2014~ Dec. 31, 2014 (Note B)		remitted to Taiwan during Jan. 1, 2014 ~ Dec. 31, 2014
Nanjing Innolux Technology Ltd.	Purchases and sales of monitor-related components company	\$ 66,465	4	\$ 66,465	\$ -	\$ -	\$ 66,465	\$ 11,797	100	\$ 11,797	\$ 606,961	\$ -
Kunpal Optoelectronics Ltd.	Glass thinning processing service	126,600	5	71,744	47,951	-	119,695	942	100	942	79,430	-
VAP Optoelectronics (Nanjing) Corp.	Manufacturing and selling of LCD backend module and related components	208,890	6	9,495	-	-	9,495	( 574)	100	( 574)	( 43,749)	-
Nanjing Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	4,494,300	4	3,937,260	557,040	-	4,494,300	729,013	100	729,013	5,574,181	-
Ningbo Innolux Logistics Ltd.	Warehousing services	126,600	8	126,600	-	-	126,600	5,729	100	5,729	168,311	-
Shanghai Innolux Optoelectronics Ltd.	Manufacturing and selling of LCD backend module and related components	664,650	7	-	-	-	-	233,398	100	233,398	780,296	-
Foshan Innolux Logistics Ltd.	Warehousing services	47,475	8	47,475	-	-	47,475	161	100	161	66,633	-
Amlink (Shanghai) Ltd.	Manufacturing and selling of power supply, modem, ADSL, and other IT equipments	633,000	9	316,500	-	-	316,500	( 8,949)	47	( 4,206)	594,508	-

Name of investee in Mainland China	Main activities of investee	Capital (Note A)	Method of Investment (Note D)	Balance of amount remitted from Taiwan on January 1, 2014	Transactions during Jan. 1, 2014~Dec. 31, 2014 (in thousands of NTD)		Balance of amount remitted from Taiwan as of Dec. 31, 2014	Net income of investee for the year ended Dec. 31, 2014	Ownership percentage held by the Company (Direct/indirect)	Profit	Book value of investment as of Dec. 31, 2014	Profit
					Jan. 1, 2014~Dec. 31, 2014 Remittance out	Jan. 1, 2014~Dec. 31, 2014 Remittance in				recognized during Jan. 1, 2014~ Dec. 31, 2014 (Note B)		remitted to Taiwan during Jan. 1, 2014 ~ Dec. 31, 2014
Kunshan Guann- Jye Electronics Co., Ltd.	Manufacturing of transformers	\$ 265,860	10	\$ 85,139	\$ -	\$ -	\$ 85,139	\$ -	32	\$ -	\$ -	\$ -
Interface Optoelectronics (Shenzhen) Co., Ltd.	Development of new type of flat panel display, monitor and peripherals, production and management, and offer of after-sales service	2,095,230	1	427,275	-	-	427,275	-	14	-	900,242	-

B. Information on investments in Mainland China (Note C):

Company	Accumulated amount wired out from Taiwan to Mainland China as of December 31, 2014	Investment amount approved by FIC of MOEA	Ceiling of investment amount of the Company
Innolux Corporation	\$ 29,846,173	\$ 44,838,617	\$ -

C. Significant transactions with investees in Mainland China directly or indirectly through the third areas:

The significant transactions between the Company and the investee companies for the year ended December 31, 2014 were eliminated in these financial statements and shown in Notes 13(1) A、G、H、J.

Note A: The relevant figures were listed in NT\$. Where foreign currencies were involved, the figures were converted to NT\$ using exchange rate.

Note B: Profit or loss recognised for the year ended December 31, 2014 was audited by independent accountants.

Note C: Pursuant to the Jing-Shen-Zi Letter No. 10100485600 of the Ministry of Economic Affairs, R.O.C., dated June 29, 2012, as the Company has obtained the certificate of conforming to the business scope of headquarters, issued by the Industrial Development Bureau, MOEA, the investment ceiling regulation for Taiwan-based companies investing in Mainland China is not applicable to the Company.

Note D: The investment methods are as follows:

1. Through investing in Innolux Holding Ltd. in the third area, which then invested in the investee in Mainland China.
2. Through investing in Landmark International Ltd. in the third area, which then invested in the investee in Mainland China.

- 3.Through investing in Gold Union Investments Ltd. in the third area, which then invested in the investee in Mainland China.
- 4.Through investing in Toppoly Optoelectronics (B.V.I) Ltd. in the third area, which then invested in the investee in Mainland China.
- 5.Through investing in Bright Information Holding Ltd. in the third area, which then invested in the investee in Mainland China.
- 6.Through investing in Golden Achiever International Ltd. in the third area, which then invested in the investee in Mainland China.
- 7.Through investing in Innolux Hong Kong Holding Ltd. in the third area, which then invested in the investee in Mainland China.
- 8.Through investing in Keyway Investment Management Limited in the third area, which then invested in the investee in Mainland China.
- 9.Through investing in Ampower Holding Ltd. in the third area, which then invested in the investee in Mainland China.
- 10.Through investing in Jetronics International Corporation in the third area, which then invested in the investee in Mainland China.

14. SEGMENT INFORMATION

None.

INNOLUX CORPORATION  
SUMMARY OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Abstract					Amount
Petty cash						\$ 255
Cash in banks						
Demand deposits						9,806,981
Foreign deposits	USD	948,031	In thousands	Exchange rate	31.65	30,005,176
	JPY	1,384,083	In thousands	Exchange rate	0.2646	366,228
	EUR	10,114	In thousands	Exchange rate	38.47	389,075
	HKD	2,349	In thousands	Exchange rate	4.08	9,583
	KRW	67,986	In thousands	Exchange rate	0.0279	1,897
Time deposits	USD	360,000	In thousands	Exchange rate	31.65	11,394,000
Cash equivalents (under repurchase agreement)						<u>3,570,000</u>
						<u>\$ 55,543,195</u>

INNOLUX CORPORATION  
SUMMARY OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2014  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Abstract	Amount	Remark
Third parties			
Company A		\$ 8,025,263	
Company B		5,169,240	
Company C		4,015,221	
Company D		3,788,902	
Company E		3,594,367	
Others		45,231,011	Balance of individual customers is under 5% of this account's balance.
		<u>69,824,004</u>	
Less: Allowance for returns and discount		( 827,583)	
Allowance for bad debts		( 138,272)	
		<u>\$ 68,858,149</u>	

INNOLUX CORPORATION  
SUMMARY OF INVENTORY  
DECEMBER 31, 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Abstract	Cost	Market price	Remark	
Raw materials	\$	1,780,875	\$	1,512,264	Use net realisable value as market price
Work in progress		16,122,356		27,783,376	Use net realisable value as market price
Finished goods		10,034,934		14,109,275	Use net realisable value as market price
	\$	<u>27,938,165</u>	\$	<u>43,404,915</u>	

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**INNOLUX CORPORATION**  
**MOVEMENT SUMMARY OF INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Company name	As of January 1, 2014		Additions		Deductions		As of December 31, 2014			Market value or net equity value		Valuation basis	Pledged as collateral
	In thousand shares	Amount	In thousand shares	Amount	In thousand shares	Amount	In thousand shares	Ownership (%)	Amount	Unit price	Total price		
Landmark International Ltd.	693,100	\$ 36,005,637	-	\$ 6,679,524	-	(\$ 1,259,538)	693,100	100%	\$ 41,425,623	-	\$ 42,428,341	Equity method	None
Innolux Holding Ltd.	251,444	15,866,385	3,452	1,453,150	( 8,128)	( 523,139)	246,768	100%	16,796,396	-	16,818,434	"	"
Toppoly Optoelectronics (B.V.I.) Ltd.	126,847	4,347,392	17,600	1,598,469	-	-	144,447	100%	5,945,861	-	6,181,533	"	"
Innolux Hong Kong Holding Ltd.	1,158,844	2,164,447	-	518,932	-	( 290,152)	1,158,844	100%	2,393,227	-	2,366,109	"	"
InnoJoy Investment Corporation	107,817	1,721,618	59,588	110,737	-	( 162,272)	167,405	100%	1,670,083	-	1,670,083	"	"
Innolux Optoelectronics Japan Co., Ltd.	-	1,574,455	-	68,864	-	( 70,824)	-	100%	1,572,495	-	1,424,560	"	"
Yuan Chi Investment Co., Ltd.	-	1,015,867	-	31,904	-	( 129,303)	-	100%	918,468	-	1,229,247	"	"
Chi Mei Materials Technology Corporation	77,758	1,883,267	2,426	172,299	( 80,184)	( 2,055,566)	-	-	-	-	-	"	"
Ampower Holding Ltd.	14,063	1,526,449	-	61,167	-	( 110,417)	14,063	47%	1,477,199	-	879,784	"	"
GIO Optoelectronics Corp.	63,522	475,253	-	1,552	-	( 26,811)	63,522	24%	449,994	-	96,672	"	"
Contrel Technology Co., Ltd.	17,009	473,259	-	19,684	( 17,009)	( 492,943)	-	-	-	-	-	"	"
Others	-	806,183	-	314,548	-	( 673,688)	-	-	447,043	-	-	"	"
		<u>\$ 67,860,212</u>		<u>\$ 11,030,830</u>		<u>(\$ 5,794,653)</u>			<u>\$ 73,096,389</u>		<u>\$ 73,094,763</u>		

Note 1: Additions include acquisition costs, gains on investment accounted for using equity method, cumulative translation adjustment and recognition of unrealised gain on investees' financial instruments.

Note 2: Deductions include disposal costs, losses on investment accounted for using equity method, cumulative translation adjustment, cash dividend received, recognition of unrealised loss on investees' financial instruments and amounts transfer to available-for-sale financial assets.

INNOLUX CORPORATION  
SUMMARY OF ACCOUNTS PAYABLE  
DECEMBER 31, 2014  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Abstract	Amount	Remark
Third parties			
Company A	\$	2,778,697	
Company B		2,095,077	
Company C		1,834,951	
Company D		1,756,114	
Others		25,266,941	Balance of individual customers is under 5% of this account's balance.
		\$ 33,731,780	

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INNOLUX CORPORATION  
SUMMARY OF OTHER PAYABLES  
DECEMBER 31, 2014  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Amount	Remark
Wages, salaries and bonus payable	\$ 3,094,127	
Payable on machinery and equipment	2,732,538	
Payable on processing fees	2,681,807	
Payable on employees' bonus	1,436,187	
Payable on utilities expense	1,149,933	
Payable on compensation	1,107,750	
Payable on repairs and maintenance expense	1,190,227	
Others	5,296,371	Balance of individual accounts is under 5% of this account's balance.
	\$ 18,688,940	

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INNOLUX CORPORATION  
SUMMARY OF LONG-TERM LOANS  
DECEMBER 31, 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Type of loans	Creditor/managing bank	Contract period	Interest range	Amount	Collateral or guarantee
Self-secured commercial paper	Mega Bills Finance Corporation	2012/11~2015/07	1.686%	\$ 47,681	Property, plant and equipment are pledged as collateral. Details are provided in Note 8.
	International Bills Finance Corporation	2012/11~2015/07	1.686%	35,985	
	China Bills Finance Corporation	2012/11~2015/07	1.686%	35,985	
	Chinatrust Commercial Bank	2012/11~2015/07	1.686%	9,497	
				\$ 129,148	
Summary of long-term syndicated loan	Syndicated loan from 20 banks including Mega International Commercial Bank	2008/11~2016/11	1.9736%	6,168,000	
	Syndicated loan from 19 banks including Mega International Commercial Bank	2009/09~2016/11	1.2474%	1,625,544	
	Syndicated loan from 20 banks including Mega International Commercial Bank	2010/05~2016/11	2.1850%	30,176,000	
	Syndicated loan from 12 banks including Mega International Commercial Bank	2005/03~2015/03	2.2842%	210,000	
	Syndicated loan from 10 banks including Chinatrust Commercial Bank	2008/09~2016/08	2.4737%	1,530,000	
	Syndicated loan from 34 banks and bills finance companies including Chinatrust Commercial Bank	2006/06~2015/07	2.1232%	3,043,938	
	Syndicated loan from 13 banks and bills finance companies including Chinatrust Commercial Bank	2006/09~2015/07	1.2897%	293,482	
	Syndicated loan from 18 banks including Bank of Taiwan	2010/03~2016/09	2.2316%	25,142,638	
	Syndicated loan from 33 banks including Bank of Taiwan	2006/11~2016/11	2.1042%	8,982,000	
	Syndicated loan from 21 banks including Bank of Taiwan	2008/09~2016/08	2.2316%	19,316,634	
Syndicated loan from 18 banks including Bank of Taiwan	2008/10~2016/11	1.3742%	1,739,294		
				\$ 98,227,530	
Less: syndicated loan arrangement fees				( 41,252)	
Less: current portion (including syndicated loan arrangement fees)				( 61,092,333)	
				\$ 37,223,093	

INNOLUX CORPORATION  
SUMMARY OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>Items</u>	<u>Quantity (in thousands)</u>	<u>Amount</u>
TFT-LCD products	460,938	\$ 420,990,284
Others	-	5,014,749
		<u>\$ 426,005,033</u>

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INNOLUX CORPORATION  
SUMMARY OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Amount
Beginning raw materials	\$ 2,302,234
Incoming inventory	105,038,529
Less: Ending raw materials	( 2,053,559)
Loss on physical inventory	( 2,442)
Transfer to expenses	( 8,819,025)
Scrapping materials	( 576,141)
Warranty expiration	( 126,378)
Sale of materials	( 68,656)
Material consumption	<u>95,694,562</u>
Direct labour	12,210,968
Manufacturing expenses	259,214,028
Manufacturing costs	<u>367,119,558</u>
Add: Beginning work in progress	27,209,678
Incoming inventory	11,523,186
Less: Ending work in progress	( 16,730,810)
Transfer to expenses	( 614,964)
Warranty expiration	( 10,184)
Scrapping work in progress	( 2,379)
Cost of finished goods	<u>388,494,085</u>
Add: Beginning finished goods	12,593,026
Acquisition of finished goods	853,136
Less: Ending finished goods	( 11,365,526)
Transfer to expenses	( 274,613)
Scrapping finished goods	( 115,249)
Warranty expiration	( 633,762)
Cost of goods manufactured	<u>389,551,097</u>
Add: Cost of sales of materials	68,656
Loss on scrapping inventory	693,769
Loss on physical inventory	2,442
Less: Revenue from sale of scraps	( 323,179)
Gain on reversal of inventory valuation	( 383,000)
Operating costs	<u><u>\$ 389,609,785</u></u>

INNOLUX CORPORATION  
SUMMARY OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>Items</u>	<u>Amount</u>	<u>Remark</u>
Processing fee	\$ 171,898,712	
Depreciation and amortisation	53,045,684	
Other expenses	34,269,632	Balance of individual accounts is under 5% of this account's balance.
	<u>\$ 259,214,028</u>	

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**INNOLUX CORPORATION**  
**SUMMARY OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Items	Selling expenses	General and administrative expenses	Research and development expenses	Total	Remark
Wages and salaries	\$ 310,036	\$ 1,422,893	\$ 3,851,484	\$ 5,584,413	
Depreciation expenses	38,558	253,170	1,950,768	2,242,496	
Royalty expenses	2,011	-	1,457,998	1,460,009	
Indirect materials	2,959	255	1,301,205	1,304,419	
Other expenses	738,643	1,775,023	2,850,805	5,364,471	Balance of individual accounts is under 5% of this account's balance.
	<u>\$1,092,207</u>	<u>\$ 3,451,341</u>	<u>\$11,412,260</u>	<u>\$ 15,955,808</u>	

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