

**Taiwan Hon Chuan Enterprise Co., Ltd.  
and Subsidiaries**

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

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

By:

---

Hung-Chuan Dai  
President

March 29, 2016

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Stockholders  
Taiwan Hon Chuan Enterprise Co., Ltd.

We have audited the accompanying consolidated balance sheets of Taiwan Hon Chuan Enterprise Co., Ltd. (the "Corporation") and subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014 and the related consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements of PT Hon Chuan Indonesia, Hon Chuan Vietnam Co., Ltd. and Hon Chuan Malaysia Sdn. Bhd. as of and for the years ended December 31, 2015 and 2014. The total assets of the investees were 14.8% (NT\$4,304,962 thousand) and 14.0% (NT\$4,094,587 thousand) of the consolidated assets as of December 31, 2015 and 2014, respectively. The net sales of the investees were 8.3% (NT\$1,378,255 thousand) and 8.1% (NT\$1,397,167 thousand) of the consolidated net sales in 2015 and 2014, respectively. These investees' statements and all information in Note 33 were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these investees, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and 2014 and their financial performance and their cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. as of and for the years ended December 31, 2015 and 2014, on which we have issued an unqualified modified report.

March 29, 2016

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| ASSETS   | December 31          |            |                      |            |
|--|----------------------|------------|----------------------|------------|
|  | 2015                 |            | 2014                 |            |
|  | Amount               | %          | Amount               | %          |
| <b>CURRENT ASSETS</b>  |                      |            |                      |            |
| Cash and cash equivalents (Notes 4 and 6)  | \$ 2,421,959         | 8          | \$ 2,065,813         | 7          |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)      | 19,226               | -          | -                    | -          |
| Debt investments with no active market - current (Notes 4 and 10)                    | 40,440               | -          | -                    | -          |
| Notes receivable from unrelated parties (Note 4)                                     | 158,484              | 1          | 168,916              | 1          |
| Trade receivables from unrelated parties (Notes 4 and 11)                            | 2,361,649            | 8          | 2,167,663            | 7          |
| Trade receivables from related parties (Notes 4 and 29)                              | 1,899                | -          | 469                  | -          |
| Inventories (Notes 4 and 12)   | 1,749,055            | 6          | 1,989,581            | 7          |
| Other current assets (Notes 16 and 30)   | <u>1,314,954</u>     | <u>5</u>   | <u>1,558,627</u>     | <u>5</u>   |
| Total current assets   | <u>8,067,666</u>     | <u>28</u>  | <u>7,951,069</u>     | <u>27</u>  |
| <b>NONCURRENT ASSETS</b>   |                      |            |                      |            |
| Available for sale financial assets - noncurrent (Notes 4 and 8)                     | 11,250               | -          | 19,340               | -          |
| Financial assets measured at cost - noncurrent (Notes 4 and 9)                       | 40,091               | -          | 25,970               | -          |
| Debt investment with no active market - noncurrent (Notes 4 and 10)                  | -                    | -          | 40,592               | -          |
| Long-term investments at equity-method (Notes 4 and 14)                              | 32,501               | -          | 45,729               | -          |
| Property, plant and equipment (Notes 4, 15 and 30)                                   | 18,796,260           | 65         | 19,139,083           | 66         |
| Computer software (Note 4)   | 11,988               | -          | 15,511               | -          |
| Goodwill (Note 4)  | 64,496               | -          | 62,187               | -          |
| Deferred tax assets (Notes 4 and 24)   | 171,323              | 1          | 91,955               | -          |
| Prepayments for equipment  | 1,524,882            | 5          | 1,417,944            | 5          |
| Other noncurrent assets (Note 16)  | <u>397,163</u>       | <u>1</u>   | <u>387,586</u>       | <u>2</u>   |
| Total noncurrent assets  | <u>21,049,954</u>    | <u>72</u>  | <u>21,245,897</u>    | <u>73</u>  |
| <b>TOTAL</b>   | <u>\$ 29,117,620</u> | <u>100</u> | <u>\$ 29,196,966</u> | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>  |                      |            |                      |            |
| <b>CURRENT LIABILITIES</b>   |                      |            |                      |            |
| Short-term borrowings (Notes 17 and 30)  | \$ 8,011,602         | 27         | \$ 8,515,579         | 29         |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7) | -                    | -          | 11,267               | -          |
| Notes payable to unrelated parties   | 201,358              | 1          | 217,023              | 1          |
| Trade payables to unrelated parties  | 457,678              | 2          | 552,415              | 2          |
| Current tax liabilities (Notes 4 and 24)   | 77,709               | -          | 117,638              | -          |
| Current portion of long-term liabilities (Notes 4, 17, 18 and 30)                    | 832,147              | 3          | 804,404              | 3          |
| Other current liabilities (Notes 20 and 29)  | <u>868,278</u>       | <u>3</u>   | <u>1,091,642</u>     | <u>4</u>   |
| Total current liabilities  | <u>10,448,772</u>    | <u>36</u>  | <u>11,309,968</u>    | <u>39</u>  |
| <b>NONCURRENT LIABILITIES</b>  |                      |            |                      |            |
| Bonds payable (Notes 4 and 18)   | -                    | -          | 558,671              | 2          |
| Long-term borrowings (Notes 4, 17 and 30)  | 4,984,285            | 17         | 5,035,097            | 17         |
| Deferred tax liabilities (Notes 4 and 24)  | 52,869               | -          | 24,283               | -          |
| Preferred stock liabilities (Notes 4 and 19)   | 574,064              | 2          | 535,917              | 2          |
| Net defined benefit liabilities - noncurrent (Notes 4 and 21)                        | 40,300               | -          | 46,482               | -          |
| Other noncurrent liabilities (Note 20)   | <u>14,333</u>        | <u>-</u>   | <u>17,158</u>        | <u>-</u>   |
| Total noncurrent liabilities   | <u>5,665,851</u>     | <u>19</u>  | <u>6,217,608</u>     | <u>21</u>  |
| Total liabilities  | <u>16,114,623</u>    | <u>55</u>  | <u>17,527,576</u>    | <u>60</u>  |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>                                   |                      |            |                      |            |
| Common stock   | 3,098,479            | 11         | 2,598,479            | 9          |
| Capital surplus  | 5,412,868            | 19         | 3,283,868            | 11         |
| Retained earnings  |                      |            |                      |            |
| Legal reserve  | 1,086,842            | 4          | 990,221              | 3          |
| Special reserve  | 421,790              | 1          | 421,790              | 2          |
| Unappropriated earnings  | 3,205,307            | 11         | 3,034,967            | 10         |
| Other equity   | (444,446)            | (2)        | 294,156              | 1          |
| Treasury shares  | <u>(835,335)</u>     | <u>(3)</u> | <u>-</u>             | <u>-</u>   |
| Total equity attributable to owners of the parent                                    | 11,945,505           | 41         | 10,623,481           | 36         |
| <b>NON-CONTROLLING INTERESTS</b>   | <u>1,057,492</u>     | <u>4</u>   | <u>1,045,909</u>     | <u>4</u>   |
| Total equity   | <u>13,002,997</u>    | <u>45</u>  | <u>11,669,390</u>    | <u>40</u>  |
| <b>TOTAL</b>   | <u>\$ 29,117,620</u> | <u>100</u> | <u>\$ 29,196,966</u> | <u>100</u> |

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

(With Deloitte & Touche auditors' report dated March 29, 2016)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | For the Year Ended December 31 |            |                   |           |
|---|--------------------------------|------------|-------------------|-----------|
|   | 2015                           |            | 2014              |           |
|   | Amount                         | %          | Amount            | %         |
| SALES (Notes 4 and 29)  | \$ 16,578,377                  | 100        | \$ 17,226,474     | 100       |
| COST OF GOODS SOLD (Notes 4, 12 and 23)                                   | <u>13,512,705</u>              | <u>81</u>  | <u>14,425,540</u> | <u>84</u> |
| GROSS PROFIT  | <u>3,065,672</u>               | <u>19</u>  | <u>2,800,934</u>  | <u>16</u> |
| OPERATING EXPENSES (Notes 23 and 29)                                      |                                |            |                   |           |
| Selling and marketing expenses  | 739,555                        | 5          | 719,613           | 4         |
| General and administrative expenses                                       | 998,425                        | 6          | 868,507           | 5         |
| Research and development expenses   | <u>63,577</u>                  | <u>-</u>   | <u>63,281</u>     | <u>-</u>  |
| Total operating expenses  | <u>1,801,557</u>               | <u>11</u>  | <u>1,651,401</u>  | <u>9</u>  |
| PROFIT FROM OPERATIONS  | <u>1,264,115</u>               | <u>8</u>   | <u>1,149,533</u>  | <u>7</u>  |
| NON-OPERATING INCOME AND EXPENSES   |                                |            |                   |           |
| Finance costs (Note 23)   | (237,735)                      | (1)        | (245,236)         | (2)       |
| Net foreign exchange gain (loss) (Note 4)                                 | (85,678)                       | (1)        | 134,595           | 1         |
| Other gains and losses (Notes 4 and 23)                                   | <u>90,381</u>                  | <u>-</u>   | <u>102,292</u>    | <u>1</u>  |
| Total non-operating income and expenses                                   | <u>(233,032)</u>               | <u>(2)</u> | <u>(8,349)</u>    | <u>-</u>  |
| PROFIT BEFORE INCOME TAX  | 1,031,083                      | 6          | 1,141,184         | 7         |
| INCOME TAX EXPENSE (Notes 4 and 24)                                       | <u>144,942</u>                 | <u>1</u>   | <u>205,900</u>    | <u>1</u>  |
| NET PROFIT FOR THE YEAR   | <u>886,141</u>                 | <u>5</u>   | <u>935,284</u>    | <u>6</u>  |
| OTHER COMPREHENSIVE INCOME (Note 4)                                       |                                |            |                   |           |
| Items that will not be reclassified subsequently to profit or loss:       |                                |            |                   |           |
| Remeasurement of defined benefit plans (Note 21)                          | (408)                          | -          | (3,591)           | -         |
| Income tax relating to components of other comprehensive income (Note 24) | 69                             | -          | 611               | -         |

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

|   | For the Year Ended December 31 |            |                     |          |
|---|--------------------------------|------------|---------------------|----------|
|   | 2015                           |            | 2014                |          |
|   | Amount                         | %          | Amount              | %        |
| Items that may be reclassified subsequently to profit or loss:    |                                |            |                     |          |
| Exchange differences on translating foreign operations            | \$ (862,180)                   | (5)        | \$ 411,954          | 2        |
| Unrealized gain on available-for-sale financial assets            | <u>(7,042)</u>                 | <u>-</u>   | <u>6,769</u>        | <u>-</u> |
| Other comprehensive income (loss) for the year, net of income tax | <u>\$ (869,561)</u>            | <u>(5)</u> | <u>\$ 415,743</u>   | <u>2</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                           | <u>\$ 16,580</u>               | <u>-</u>   | <u>\$ 1,351,027</u> | <u>8</u> |
| NET INCOME ATTRIBUTABLE TO:                                       |                                |            |                     |          |
| Owners of the Corporation   | \$ 948,965                     | 6          | \$ 966,212          | 5        |
| Non-controlling interests   | <u>(62,824)</u>                | <u>(1)</u> | <u>(30,928)</u>     | <u>-</u> |
|   | <u>\$ 886,141</u>              | <u>5</u>   | <u>\$ 935,284</u>   | <u>5</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:                       |                                |            |                     |          |
| Owners of the Corporation   | \$ 210,024                     | 1          | \$ 1,328,095        | 8        |
| Non-controlling interests   | <u>(193,444)</u>               | <u>(1)</u> | <u>22,932</u>       | <u>-</u> |
|   | <u>\$ 16,580</u>               | <u>-</u>   | <u>\$ 1,351,027</u> | <u>8</u> |
| EARNINGS PER SHARE (Note 25)                                      |                                |            |                     |          |
| Basic   | <u>\$ 3.26</u>                 |            | <u>\$ 3.72</u>      |          |
| Diluted   | <u>\$ 3.20</u>                 |            | <u>\$ 3.62</u>      |          |

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

(With Deloitte & Touche auditors' report dated March 29, 2016)

(Concluded)

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(In Thousands of New Taiwan Dollars)

|   | Equity Attributable to Owners of the Parent |                                     |  |                 |                            |  |  |                             |               |   |               |
|---|---|-------------------------------------|--|-----------------|----------------------------|--|--|-----------------------------|---------------|---|---------------|
|   | Share Capital<br>(Note 22)                  | Capital Surplus<br>(Notes 4 and 22) | Retained Earnings (Notes 4, 21, 22 and 24) |                 |                            | Other Equity   |  | Treasury Share<br>(Note 22) | Total         | Non-controlling<br>Interests<br>(Note 13) | Total Equity  |
|   |   |                                     | Legal Reserve                              | Special Reserve | Unappropriated<br>Earnings | Exchange<br>Differences on<br>Translating<br>Foreign<br>Operations | Unrealized Gain<br>(Loss) on<br>Available-<br>for-sale<br>Financial Assets |                             |               |   |               |
| BALANCE AT JANUARY 1, 2013  | \$ 2,598,479                                | \$ 3,283,868                        | \$ 879,190                                 | \$ 421,790      | \$ 2,832,386               | \$ (70,707)  | \$ -   | \$ -                        | \$ 9,945,006  | \$ 999,374                                | \$ 10,944,380 |
| Increase in non-controlling interests   | -   | -                                   | -  | -               | -                          | -  | -  | -                           | -             | 36,324                                    | 36,324        |
| Appropriation of 2013 earnings  | -   | -                                   | -  | -               | -                          | -  | -  | -                           | -             | -   | -             |
| Legal reserve   | -   | -                                   | 111,031                                    | -               | (111,031)                  | -  | -  | -                           | -             | -   | -             |
| Cash dividends distributed by the Corporation   | -   | -                                   | -  | -               | (649,620)                  | -  | -  | -                           | (649,620)     | -   | (649,620)     |
| Cash dividends distributed by subsidiaries  | -   | -                                   | -  | -               | -                          | -  | -  | -                           | -             | (12,721)                                  | (12,721)      |
| Net profit for the year ended December 31, 2014   | -   | -                                   | -  | -               | 966,212                    | -  | -  | -                           | 966,212       | (30,928)                                  | 935,284       |
| Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax | -   | -                                   | -  | -               | (2,980)                    | 358,094  | 6,769  | -                           | 361,883       | 53,860                                    | 415,743       |
| Total comprehensive income (loss) for the year ended December 31, 2014                    | -   | -                                   | -  | -               | 963,232                    | 358,094  | 6,769  | -                           | 1,328,095     | 22,932                                    | 1,351,027     |
| BALANCE AT DECEMBER 31, 2014  | 2,598,479                                   | 3,283,868                           | 990,221                                    | 421,790         | 3,034,967                  | 287,387  | 6,769  | -                           | 10,623,481    | 1,045,909                                 | 11,669,390    |
| Increase in non-controlling interests   | -   | -                                   | -  | -               | -                          | -  | -  | -                           | -             | 223,727                                   | 223,727       |
| Appropriation of 2014 earnings  | -   | -                                   | -  | -               | -                          | -  | -  | -                           | -             | -   | -             |
| Legal reserve   | -   | -                                   | 96,621                                     | -               | (96,621)                   | -  | -  | -                           | -             | -   | -             |
| Cash dividends distributed by the Corporation   | -   | -                                   | -  | -               | (681,665)                  | -  | -  | -                           | (681,665)     | -   | (681,665)     |
| Issue of ordinary shares for cash   | 500,000                                     | 2,095,000                           | -  | -               | -                          | -  | -  | -                           | 2,595,000     | -   | 2,595,000     |
| Share-based payment transaction   | -   | 34,000                              | -  | -               | -                          | -  | -  | -                           | 34,000        | -   | 34,000        |
| Buy-back of ordinary shares   | -   | -                                   | -  | -               | -                          | -  | -  | (835,335)                   | (835,335)     | -   | (835,335)     |
| Cash dividends distributed by subsidiaries  | -   | -                                   | -  | -               | -                          | -  | -  | -                           | -             | (18,700)                                  | (18,700)      |
| Net profit for the year ended December 31, 2015   | -   | -                                   | -  | -               | 948,965                    | -  | -  | -                           | 948,965       | (62,824)                                  | 886,141       |
| Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax | -   | -                                   | -  | -               | (339)                      | (731,560)  | (7,042)  | -                           | (738,941)     | (130,620)                                 | (869,561)     |
| Total comprehensive income for the year ended December 31, 2015                           | -   | -                                   | -  | -               | 948,626                    | (731,560)  | (7,042)  | -                           | 210,024       | (193,444)                                 | 16,580        |
| BALANCE AT DECEMBER 31, 2015  | \$ 3,098,479                                | \$ 5,412,868                        | \$ 1,086,842                               | \$ 421,790      | \$ 3,205,307               | \$ (444,173)   | \$ (273)   | \$ (835,335)                | \$ 11,945,505 | \$ 1,057,492                              | \$ 13,002,997 |

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

(With Deloitte & Touche auditors' report dated March 29, 2016)



# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

|   | <u>For the Year Ended December 31</u> |                  |
|---|---------------------------------------|------------------|
|   | 2015                                  | 2014             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                       |                  |
| Income before income tax  | \$ 1,031,083                          | \$ 1,141,184     |
| Adjustments for:  |                                       |                  |
| Depreciation and amortization expenses  | 2,026,906                             | 1,882,512        |
| Finance costs   | 237,735                               | 245,236          |
| Unrealized net loss (gain) on foreign currency exchange   | 146,332                               | 30,547           |
| Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss | (62,568)                              | (23,803)         |
| Compensation cost of share-based payment transaction  | 34,000                                | -                |
| Loss (gain) on disposal of property, plant and equipment  | 27,998                                | (15,123)         |
| Net loss (gain) on disposal of investment   | (16,461)                              | -                |
| Impairment loss recognized on non-financial assets  | 15,894                                | 16,342           |
| Impairment loss recognized on property, plant and equipment   | 13,886                                | -                |
| Loss (gain) recognized on associates under equity method  | 13,080                                | 5,716            |
| Impairment loss recognized (reversal of impairment loss) on trade receivables   | 12,080                                | 2                |
| Others  | (446)                                 | (1,534)          |
| Net changes in operating assets and liabilities   |                                       |                  |
| Financial assets held for trading   | 32,678                                | 10,393           |
| Notes receivable  | 9,686                                 | 8,753            |
| Trade receivables   | (214,008)                             | (173,854)        |
| Inventories   | 394,184                               | 146,694          |
| Other current assets  | 77,408                                | (345,945)        |
| Notes payable   | (15,666)                              | (11,633)         |
| Trade payables  | (86,575)                              | (87,168)         |
| Other current liabilities   | (48,860)                              | 98,953           |
| Net defined benefit liabilities   | (6,590)                               | (6,519)          |
| Cash generated from operations  | <u>3,621,776</u>                      | <u>2,920,753</u> |
| Interest paid   | (214,491)                             | (215,143)        |
| Income tax paid   | <u>(241,401)</u>                      | <u>(211,530)</u> |
| Net cash generated from operating activities  | <u>3,165,884</u>                      | <u>2,494,080</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                       |                  |
| Payments for property, plant and equipment  | (766,310)                             | (3,421,031)      |
| Decrease in prepayments for equipment   | (1,752,637)                           | (1,124,962)      |
| Proceeds from disposal of property, plant and equipment   | 91,967                                | 149,403          |
| Proceeds from sale of available-for-sale financial assets   | 61,686                                | -                |
| Purchase of available-for-sale financial assets   | (45,225)                              | (12,124)         |
| Purchase of financial assets measured at cost   | (15,000)                              | -                |
| Decrease in refundable deposits   | (1,875)                               | (253)            |
| Proceeds of the return of capital on financial assets measured at cost  | 879                                   | -                |
| Acquisition of associates   | -                                     | (48,539)         |

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

|   | <b>For the Year Ended December 31</b> |                     |
|---|---------------------------------------|---------------------|
|   | <b>2015</b>                           | <b>2014</b>         |
| Proceeds from disposal of debt investments with no active market                      | \$ -                                  | \$ 40,000           |
| Other investing activities  | <u>(36,697)</u>                       | <u>28,886</u>       |
| Net cash used in investing activities   | <u>(2,463,212)</u>                    | <u>(4,388,620)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                                       |                     |
| Repayments of long-term borrowings  | (3,758,695)                           | (1,530,306)         |
| Proceeds from long-term borrowings  | 3,086,000                             | 2,197,029           |
| Proceeds from issue of ordinary shares  | 2,595,000                             | -                   |
| Proceeds from (repayments of) short-term borrowings                                   | (852,335)                             | 2,121,622           |
| Payments for buy-back of ordinary shares  | (835,335)                             | -                   |
| Dividends paid to owners of the Corporation   | (681,665)                             | (649,620)           |
| Changes in non-controlling interests  | 223,727                               | 36,324              |
| Payments for increase of interests in subsidiaries                                    | (72,751)                              | -                   |
| Dividends paid to non-controlling interests   | (18,700)                              | (12,721)            |
| Repayments of corporate bonds   | <u>-</u>                              | <u>(424,500)</u>    |
| Net cash generated from (used in) financing activities                                | <u>(314,754)</u>                      | <u>1,737,828</u>    |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br>OF CASH HELD IN FOREIGN CURRENCIES | <u>(31,772)</u>                       | <u>87,442</u>       |
| NET INCREASE (DECREASE) IN CASH AND CASH<br>EQUIVALENTS                               | 356,146                               | (69,270)            |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>YEAR                             | <u>2,065,813</u>                      | <u>2,135,083</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR                                      | <u>\$ 2,421,959</u>                   | <u>\$ 2,065,813</u> |

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

(With Deloitte & Touche auditors' report dated March 29, 2016)

(Concluded)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

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

---

### 1. ORGANIZATION AND OPERATIONS

Taiwan Hon Chuan Enterprise Co., Ltd. (the “Corporation”) was incorporated in 1969. It manufactures and sells various packing materials for the food and beverage industries (such as aluminum closures, plastic caps, metal caps, labels, bioriented polyolefin shrinkable films, low density polyethylene (LDPE), shrinkable films, and polyethylene terephthalate (PET) bottles) and automatic sealer machines. It also manufactures and sells packing materials for electronic parts (such as anti-static sheets or bags), precision instrument cases, and caps for batteries.

The Corporation became a public company in August 1993 under the approval of the Securities and Futures Bureau (SFB) under the Financial Supervisory Commission. The Corporation’s shares have been traded on the Taiwan Stock Exchange since March 2, 2001.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 29, 2016.

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

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Group’s accounting policies:

- 1) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under previous IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans and the actuarial gain and loss of associates (and joint ventures) accounted for using the equity method. Items

expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates and joint ventures accounted for using the equity method. The application of the above amendments did not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

2) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under previous IAS 19 and accelerates the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Remeasurement of the defined benefit plans is presented separately as other equity.

Furthermore, the interest cost and expected return on plan assets used in previous IAS 19 were replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

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

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

| <b>New IFRSs</b>   | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--|--|
| Annual Improvements to IFRSs 2010-2012 Cycle   | July 1, 2014 (Note 2)                                |
| Annual Improvements to IFRSs 2011-2013 Cycle   | July 1, 2014   |
| Annual Improvements to IFRSs 2012-2014 Cycle   | January 1, 2016 (Note 3)                             |
| IFRS 9 “Financial Instruments”   | January 1, 2018                                      |
| Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”                          | January 1, 2018                                      |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | To be determined by IASB                             |
| Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”                    | January 1, 2016                                      |
| Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”                                      | January 1, 2016                                      |
| IFRS 14 “Regulatory Deferral Accounts”   | January 1, 2016                                      |
| IFRS 15 “Revenue from Contracts with Customers”  | January 1, 2018                                      |

(Continued)

| <b>New IFRSs</b>   | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--|--|
| IFRS 16 “Leases”   | January 1, 2019                                      |
| Amendment to IAS 1 “Disclosure Initiative”   | January 1, 2016                                      |
| Amendment to IAS 7 “Disclosure Initiative”   | January 1, 2017                                      |
| Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”                        | January 1, 2017                                      |
| Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization” | January 1, 2016                                      |
| Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”   | January 1, 2016                                      |
| Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”                                    | July 1, 2014   |
| Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”    | January 1, 2014                                      |
| Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”                     | January 1, 2014                                      |
| IFRIC 21 “Levies”  | January 1, 2014                                      |

(Concluded)

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

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

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

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group’s accounting policies, except for the following:

IFRS 9 “Financial Instruments”

1) Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, if any, recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

## 2) The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC.

### b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 13, Table 8 and Table 9 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.



f. Inventories

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

g. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for

all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

#### h. Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### i. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

#### j. Intangible assets

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

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

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation. If not, Corporate assets are allocated to the smallest group of cash-generating units.

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 28.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

ii. Available-for-sale financial assets

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

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

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

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

iii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

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

For financial assets carried at amortized cost, such as trade receivables assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

c) Derecognition of financial assets

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

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

## 2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

## 3) Financial liabilities

### a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 28.

### b) Derecognition of financial liabilities

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

## 4) Convertible bonds and liability component of preferred stock

The component parts of compound instruments (convertible bonds and liability component of preferred stock) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

#### 5) Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

#### m. Revenue recognition

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

##### 1) Sale of goods

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

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

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

##### 2) Dividend and interest income

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

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

n. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

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

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term; contingent rents arising are recognized as an expense in the period in which they are incurred.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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



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

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

r. Share-based payment arrangements

Employee share options granted to employee and others providing similar services

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vesting immediately.

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

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

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

a. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Income taxes

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

c. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. 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 (excluding future credit

losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Fair value measurements and valuation processes

If some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group determines whether to engage third party qualified valuers or self-determine the appropriate valuation techniques for fair value measurements.

Where Level 1 inputs are not available, the Group or engaged valuers would determine appropriate inputs by referring to the analyses of the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in note 28.

e. Write-down of inventory

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

f. Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

## 6. CASH AND CASH EQUIVALENTS

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2015</b>         | <b>2014</b>         |
| Cash on hand and petty cash                                   | \$ 4,405            | \$ 3,682            |
| Checking accounts and demand deposits                         | 1,906,667           | 1,221,614           |
| Cash equivalent   |                     |                     |
| Time deposits with original maturities less than three months | <u>510,887</u>      | <u>840,517</u>      |
|   | <u>\$ 2,421,959</u> | <u>\$ 2,065,813</u> |

The market rate intervals of cash in bank, at the end of the reporting period were as follows:

|              | <b>December 31</b> |             |
|--------------|--------------------|-------------|
|              | <b>2015</b>        | <b>2014</b> |
| Bank balance | 0%-13%             | 0%-8%       |

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

|  | <u>December 31</u> |             |
|--|--------------------|-------------|
|  | <u>2015</u>        | <u>2014</u> |
| Financial assets held for trading      |                    |             |
| Derivative financial assets            |                    |             |
| Foreign exchange forward contracts     | \$ 19,226          | \$ -        |
| Financial liabilities held for trading |                    |             |
| Derivative financial liabilities       |                    |             |
| Interest swap contracts                | \$ -               | \$ 11,267   |

Outstanding foreign exchange forward contracts were as follows:

|                          | <b>Currency</b> | <b>Maturity Date</b> | <b>Notional Amount</b> |
|--------------------------|-----------------|----------------------|------------------------|
| <u>December 31, 2015</u> |                 |                      |                        |
| Buy                      | USD/EUR         | 2016.06.17           | USD221/EUR200          |
|                          | CNY/USD         | 2016.03.01           | CNY32,395/USD5,000     |
|                          | CNY/USD         | 2016.03.07           | CNY64,800/USD10,000    |
|                          | CNY/USD         | 2016.09.14           | CNY16,325/USD2,500     |
|                          | CNY/USD         | 2016.09.14           | CNY48,975/USD7,500     |
|                          | CNY/USD         | 2016.09.19           | CNY65,200/USD10,000    |

The Group did not have outstanding foreign exchange forward contracts as of December 31, 2014.

The Group entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and thus did not qualify for hedge accounting.

Outstanding interest swap contracts as of December 31, 2014 were as follows:

| <b>Contract Amount</b> | <b>Maturity Date</b> | <b>Range of Interest Rates Paid</b>   | <b>Range of Interest Rates Received</b>       |
|------------------------|----------------------|---|---|
| US\$10,000             | 2015.09.24           | Year 1: 0.30%, year 2: 1.49%,<br>year 3: 1.90%, year 4: 2.30%,<br>year 5: 2.45% | USD 3M Libor, Quarterly<br>fixing and payment |
| US\$10,000             | 2015.10.07           | Year 1: 0.30%, year 2: 1.20%,<br>year 3: 1.70%, year 4: 2.00%,<br>year 5: 2.30% | USD 3M Libor, Quarterly<br>fixing and payment |

The Group did not have outstanding interest swap contracts as of December 31, 2015.

The Group entered into interest swap contracts to manage exposures to exchange rate fluctuations of foreign bank loans. However, those contracts did not meet the criteria of hedge effectiveness and thus did not qualify for hedge accounting.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NONCURRENT

|  | <u>December 31</u> |                  |
|--|--------------------|------------------|
|  | <u>2015</u>        | <u>2014</u>      |
| Overseas stock of publicly quoted entity | \$ <u>11,250</u>   | \$ <u>19,340</u> |

The Group invested THB13,000 thousand in Ichitan group public company limited (“Ichitan Company”) in Thailand in April 2015 for cooperating to expand the market in the future.

## 9. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT

|                                    | <u>December 31</u> |                  |
|------------------------------------|--------------------|------------------|
|                                    | <u>2015</u>        | <u>2014</u>      |
| Domestic unlisted common shares    | \$ 31,446          | \$ 17,325        |
| Overseas unlisted preferred shares | <u>8,645</u>       | <u>8,645</u>     |
|                                    | <u>\$ 40,091</u>   | <u>\$ 25,970</u> |

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

## 10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

|                    | <u>December 31</u> |                  |
|--------------------|--------------------|------------------|
|                    | <u>2015</u>        | <u>2014</u>      |
| <u>Current</u>     |                    |                  |
| Corporate bonds    | <u>\$ 40,440</u>   | <u>\$ -</u>      |
| <u>Non-Current</u> |                    |                  |
| Corporate bonds    | <u>\$ -</u>        | <u>\$ 40,592</u> |

The Group bought US\$1,127 thousand of 3-year corporate bonds issued by Garden Fresh (HK) Fruit & Vegetable Co., Limited (“Garden Fresh”) with a coupon rate of 0% and effective interest rate of 3.57% in July 2012. The corporate bonds were originally recorded under non-current assets, but were reclassified as current assets because they will mature within one year from balance sheet date.

## 11. TRADE RECEIVABLES - NET

|  | <u>December 31</u>  |                     |
|--|---------------------|---------------------|
|  | <u>2015</u>         | <u>2014</u>         |
| Trade receivables from unrelated parties | \$ 2,401,963        | \$ 2,197,473        |
| Less: Allowance for impairment loss      | <u>(40,314)</u>     | <u>(29,810)</u>     |
|  | <u>\$ 2,361,649</u> | <u>\$ 2,167,663</u> |

The average credit period for sales of goods was 30 to 90 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss was recognized against trade receivables over aged 90 days based on estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their current financial position.

The aging of receivables was as follows:

|                    | <b>December 31</b>  |                     |
|--------------------|---------------------|---------------------|
|                    | <b>2015</b>         | <b>2014</b>         |
| Less than 90 days  | \$ 2,351,729        | \$ 2,098,120        |
| 91-180 days        | 28,110              | 67,838              |
| More than 181 days | <u>22,124</u>       | <u>31,515</u>       |
|                    | <u>\$ 2,401,963</u> | <u>\$ 2,197,473</u> |

The above aging schedule was based on the invoice date.

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

|  |   |
|--|---|
|  | <b>Collectively<br/>Assessed for<br/>Impairment</b> |
| Balance at January 1, 2014                             | \$ 28,241   |
| Add: Impairment losses recognized on trade receivables | 2   |
| Less: Amounts written off as uncollectible             | (42)  |
| Effect of exchange rate changes                        | <u>1,609</u>  |
| Balance at December 31, 2014                           | 29,810  |
| Add: Impairment losses recognized on trade receivables | 12,080  |
| Effect of exchange rate changes                        | <u>(1,576)</u>                                      |
| Balance at December 31, 2015                           | <u>\$ 40,314</u>                                    |

Age of individually impaired trade receivables was as follows:

|                    | <b>December 31</b> |                  |
|--------------------|--------------------|------------------|
|                    | <b>2015</b>        | <b>2014</b>      |
| Less than 90 days  | \$ -               | \$ -             |
| 91- 180 days       | 647                | 1,140            |
| More than 181 days | <u>39,667</u>      | <u>28,670</u>    |
|                    | <u>\$ 40,314</u>   | <u>\$ 29,810</u> |

The above aging of trade receivables before deducting the allowance for impairment loss was prepared based on the invoice date.

## 12. INVENTORIES

|                            | <b>December 31</b>  |                     |
|----------------------------|---------------------|---------------------|
|                            | <b>2015</b>         | <b>2014</b>         |
| Finished goods             | \$ 446,578          | \$ 490,596          |
| Work in process            | 223,907             | 215,568             |
| Raw materials and supplies | 1,031,153           | 1,272,362           |
| Inventories in transit     | <u>47,417</u>       | <u>11,055</u>       |
|                            | <u>\$ 1,749,055</u> | <u>\$ 1,989,581</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 was \$13,512,705 thousand and \$14,425,540 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2015 and 2014 included inventory write-downs of \$15,894 thousand and \$16,342 thousand, respectively.

## 13. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

| <b>Investor</b> | <b>Investee</b>  | <b>Main Businesses</b>   | <b>% of Ownership</b> |             |
|-----------------|--|--|-----------------------|-------------|
|                 |  |  | <b>2015</b>           | <b>2014</b> |
| The Corporation | Hon Chuan Holding Limited<br>("Samoa Hon Chuan")               | Overseas reinvested holding company and international trade                                | 100                   | 100         |
| Samoa Hon Chuan | Hon Chuan (China) Holding Co., Ltd. ("Hon Chuan China")        | Overseas reinvested holding company  | 76.84                 | 76.84       |
| Samoa Hon Chuan | HC (Asia) Holding Co., Ltd. ("Hon Chuan Asia")                 | Overseas reinvested holding company and international trade                                | 100                   | 100         |
|                 | Hon Chuan Technologies (Ningbo) Co., Ltd. ("Ningbo Hon Chuan") | Manufacture and sale of packing materials for electronic components and caps for batteries | 100                   | 100         |
| Hon Chuan China | Kai Gang Industries Limited ("Kai Gang")                       | Overseas reinvested holding company  | 100                   | 100         |
|                 | Hon Hsing (Samoa) Holding Limited ("Samoa Hon Hsing")          | Overseas reinvested holding company  | 100                   | 100         |
| Hon Chuan Asia  | Hon Chuan (Thailand) Co., Ltd. ("Hon Chuan Thailand")          | Manufacture and sale of plastic caps and PET bottles                                       | 100                   | 100         |
|                 | PT Hon Chuan Indonesia ("Hon Chuan Indonesia")                 | Manufacture and sale of plastic caps and PET bottles                                       | 100                   | 100         |
|                 | Hon Chuan (Myanmar) Co., Ltd. ("Hon Chuan Myanmar")            | Manufacture and sale of plastic caps and PET bottles                                       | 70                    | 70          |
|                 | Hon Chuan Vietnam Co., Ltd. ("Hon Chuan Vietnam")              | Manufacture and sale of plastic caps and PET bottles                                       | 100                   | 100         |
|                 | Hon Chuan Malaysia Sdn. Bhd. ("Hon Chuan Malaysia")            | Manufacture and sale of plastic caps and PET bottles                                       | 100                   | 100         |
|                 | Honly Holding Co., Ltd. ("Samoa Honly")                        | Overseas reinvested holding company and international trade                                | 60                    | 60          |
|                 | Honly International Co., Ltd. ("Honly")                        | Overseas reinvested holding company and international trade                                | 49                    | -           |

(Continued)

| Investor           | Investee   | Main Businesses  | % of Ownership   |      |
|--------------------|--|--|------------------|------|
|                    |  |  | December 31 2015 | 2014 |
| Kai Gang           | Hon Chuan Enterprise (Suzhou) Company Limited (“Suzhou Hon Chuan”)   | Manufacture and sale of various plastic caps, labels and aluminum closures                       | 100              | 100  |
|                    | Hon Chuan Food Packing (Qingxin) Co., Ltd. (“Qingxin Hon Chuan”)     | Manufacture and sale of various plastic caps, labels, PET bottles and beverage packaging service | 100              | 100  |
|                    | Hon Chuan Food Packing (Zhangzhou) Co., Ltd. (“Zhangzhou Hon Chuan”) | Manufacture and sale of PET bottles and beverage packaging service                               | 100              | 100  |
|                    | Hon Chuan Food Packing (Chuzhou) Co., Ltd. (“Chuzhou Hon Chuan”)     | Manufacture and sale of various plastic caps and PET bottles                                     | 100              | 100  |
|                    | Hon Chuan Food Packing (Xiantao) Co., Ltd. (“Xiantao Hon Chuan”)     | Manufacture and sale of plastic caps, PET bottles and beverage packaging service                 | 100              | 100  |
| Samoa Hon Hsing    | Suzhou Hongxin Food Packing Co., Ltd. (“Suzhou Hongxin”)             | Manufacture and sale of plastic caps, PET bottles and beverage packaging service                 | 100              | 100  |
|                    | Hon Chuan Food Packing (Taiyuan) Co., Ltd. (“Taiyuan Hon Chuan”)     | Manufacture and sale of plastic caps, PET bottles and beverage packaging service                 | 100              | 100  |
|                    | Hon Chuan Enterprise (Changsha) Co., Ltd. (“Changsha Hon Chuan”)     | Manufacture and sale of plastic caps, PET bottles and beverage packaging service                 | 100              | 100  |
|                    | Hon Chuan Food Packing (Jinan) Co., Ltd. (“Jinan Hon Chuan”)         | Manufacture and sale of plastic caps and PET bottles   | 100              | 100  |
| Hon Chuan Thailand | Hon Chuan FD Packaging Co., Ltd. (“Hon Fu Thailand”)                 | Manufacture and sale of plastic caps, labels and PET bottles                                     | 65               | 65   |
| Samoa Honly        | Honly Food & Beverage Co., Ltd. (“Cambodia Honly”)                   | Beverage packing service   | 100              | 100  |
| Suzhou Hongxin     | Quanhe Investment (Suzhou) Co., Ltd. (“Quanhe”)                      | Equity investment  | 100              | -    |
|                    | Hon Chuan Food Packing (Anyang) Co., Ltd. (“Anyang Hon Chuan”)       | Sale of PE/PET packaging, food packaging   | 60               | -    |
| Quanhe             | Anyang Hon Chuan   | Sale of PE/PET packaging, food packaging   | 40               | -    |

(Continued)

The Corporation has the practical ability to direct the relevant activities of Honly; therefore, the Corporation has control over Honly.

The Group’s ownership in Anyang Hon Chuan increased from 40% to 100% in November 2015, and Anyang Hon Chuan is included in the consolidated financial statements.

The subsidiaries reported in the consolidated financial statements were based on the financial statements audited by auditors for the same year.



b. Details of subsidiaries that have material non-controlling interests

| Name of Subsidiary | Proportion of Ownership and<br>Voting Rights Held by<br>Non-controlling Interests |        |
|--------------------|---|--------|
|                    | December 31   |        |
|                    | 2015  | 2014   |
| Hon Chuan China    | 23.16%  | 23.16% |

See Table 8 and Table 9 for the information on place of incorporation and principal place of business.

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Hon Chuan China and Hon Chuan China's subsidiaries:

|  | December 31                           |                     |
|--|---------------------------------------|---------------------|
|  | 2015                                  | 2014                |
| Current assets                               | \$ 2,926,462                          | \$ 3,764,063        |
| Non-current assets                           | 10,363,867                            | 10,992,865          |
| Current liabilities                          | (8,277,799)                           | (9,097,006)         |
| Non-current liabilities                      | <u>(588,399)</u>                      | <u>(553,075)</u>    |
| Equity                                       | <u>\$ 4,424,131</u>                   | <u>\$ 5,106,847</u> |
| Equity attributable to:                      |                                       |                     |
| Owners of the Company                        | \$ 3,734,236                          | \$ 4,246,853        |
| Non-controlling interests of Hon Chuan China | <u>689,895</u>                        | <u>859,994</u>      |
|  | <u>\$ 4,424,131</u>                   | <u>\$ 5,106,847</u> |
|  | <b>For the Year Ended December 31</b> |                     |
|  | <b>2015</b>                           | <b>2014</b>         |
| Revenue                                      | <u>\$ 5,971,664</u>                   | <u>\$ 5,929,054</u> |
| Loss for the year                            | \$ (238,499)                          | \$ (164,259)        |
| Other comprehensive income for the year      | <u>(604,950)</u>                      | <u>(25,727)</u>     |
| Total comprehensive income for the year      | <u>\$ (843,449)</u>                   | <u>\$ (189,986)</u> |
| Loss attributable to:                        |                                       |                     |
| Owners of the Company                        | \$ (183,263)                          | \$ (126,217)        |
| Non-controlling interests of Hon Chuan China | <u>(55,236)</u>                       | <u>(38,042)</u>     |
|  | <u>\$ (238,499)</u>                   | <u>\$ (164,259)</u> |
| Total comprehensive income attributable to:  |                                       |                     |
| Owners of the Company                        | \$ (648,107)                          | \$ (145,986)        |
| Non-controlling interests of Hon Chuan China | <u>(195,342)</u>                      | <u>(44,000)</u>     |
|  | <u>\$ (843,449)</u>                   | <u>\$ (189,986)</u> |

|                      | <b>For the Year Ended December 31</b> |                     |
|----------------------|---------------------------------------|---------------------|
|                      | <b>2015</b>                           | <b>2014</b>         |
| Net cash flow from:  |                                       |                     |
| Operating activities | \$ 1,137,248                          | \$ 842,984          |
| Investing activities | (666,396)                             | (1,933,885)         |
| Financing activities | <u>(1,112,339)</u>                    | <u>985,098</u>      |
| Net cash outflow     | <u>\$ (641,487)</u>                   | <u>\$ (105,803)</u> |

#### 14. INVESTMENT ACCOUNTED FOR BY THE EQUITY METHOD

|  | <b>December 31</b> |                  |
|--|--------------------|------------------|
|  | <b>2015</b>        | <b>2014</b>      |
| <u>Associates</u>                                    |                    |                  |
| Unlisted company                                     |                    |                  |
| Shanghai Danmao Trading Co., Ltd. (“Danmao Company”) | <u>\$ 32,501</u>   | <u>\$ 45,729</u> |

As the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

|                           | <b>December 31</b> |             |
|---------------------------|--------------------|-------------|
|                           | <b>2015</b>        | <b>2014</b> |
| <u>Name of Associates</u> |                    |             |
| Danmao Company            | 33.33%             | 33.33%      |

Refer to Table 9 for the nature of activities, principle place of business and country of incorporation of the associates.

The summarized financial information below represents amounts shown in the associates’ financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

#### Danmao Company

|                                     | <b>December 31</b> |                   |
|-------------------------------------|--------------------|-------------------|
|                                     | <b>2015</b>        | <b>2014</b>       |
| Current assets                      | \$ 101,082         | \$ 134,204        |
| Non-current assets                  | 1,830              | 2,045             |
| Current liabilities                 | <u>(5,409)</u>     | <u>939</u>        |
| Equity                              | <u>\$ 97,503</u>   | <u>\$ 137,188</u> |
| Proportion of the Group’s ownership | 33.33%             | 33.33%            |
| Equity attributable to the Group    | <u>\$ 32,501</u>   | <u>\$ 45,729</u>  |
| Carrying amount                     | <u>\$ 32,501</u>   | <u>\$ 45,729</u>  |

**For the Year Ended December 31**  
**2015**                      **2014**

|                       |                    |                    |
|-----------------------|--------------------|--------------------|
| Operating revenue     | \$ <u>17,574</u>   | \$ <u>4,546</u>    |
| Net loss for the year | \$ <u>(36,903)</u> | \$ <u>(17,148)</u> |

**15. PROPERTY, PLANT AND EQUIPMENT**

|   | Freehold Land     | Buildings           | Equipment            | Other Equipment     | Property in Construction | Total                |
|---|-------------------|---------------------|----------------------|---------------------|--------------------------|----------------------|
| <u>Cost</u>                                     |                   |                     |                      |                     |                          |                      |
| Balance at January 1, 2015                      | \$ 668,136        | \$ 5,262,861        | \$ 18,387,105        | \$ 5,088,255        | \$ 2,275,626             | \$ 31,681,983        |
| Additions                                       | 219               | 13,733              | 138,886              | 129,668             | 484,820                  | 767,326              |
| Disposals                                       | -                 | (23,931)            | (257,305)            | (48,372)            | -                        | (329,608)            |
| Effect of foreign currency exchange differences | (12,037)          | (120,020)           | (425,204)            | (97,836)            | (50,921)                 | (706,018)            |
| Reclassified                                    | <u>58,798</u>     | <u>136,472</u>      | <u>2,143,158</u>     | <u>633,122</u>      | <u>(1,448,218)</u>       | <u>1,523,332</u>     |
| Balance at December 31, 2015                    | <u>\$ 715,116</u> | <u>\$ 5,269,115</u> | <u>\$ 19,986,640</u> | <u>\$ 5,704,837</u> | <u>\$ 1,261,307</u>      | <u>\$ 32,937,015</u> |
| <u>Accumulated depreciation and impairment</u>  |                   |                     |                      |                     |                          |                      |
| Balance at January 1, 2015                      | \$ -              | \$ 1,070,644        | \$ 8,716,733         | \$ 2,755,523        | \$ -                     | \$ 12,542,900        |
| Disposals                                       | -                 | (3,629)             | (179,539)            | (29,012)            | -                        | (212,180)            |
| Impairment loss                                 | -                 | -                   | -                    | 13,886              | -                        | 13,886               |
| Depreciation expense                            | -                 | 209,408             | 1,325,924            | 454,189             | -                        | 1,989,521            |
| Effect of foreign currency exchange differences | -                 | (22,510)            | (125,389)            | (45,473)            | -                        | (193,372)            |
| Balance at December 31, 2015                    | <u>\$ -</u>       | <u>\$ 1,253,913</u> | <u>\$ 9,737,729</u>  | <u>\$ 3,149,113</u> | <u>\$ -</u>              | <u>\$ 14,140,755</u> |
| Carrying amount at January 1, 2015              | <u>\$ 668,136</u> | <u>\$ 4,192,217</u> | <u>\$ 9,670,372</u>  | <u>\$ 2,332,732</u> | <u>\$ 2,275,626</u>      | <u>\$ 19,139,083</u> |
| Carrying amount at December 31, 2015            | <u>\$ 715,116</u> | <u>\$ 4,015,202</u> | <u>\$ 10,248,911</u> | <u>\$ 2,555,724</u> | <u>\$ 1,261,307</u>      | <u>\$ 18,796,260</u> |
| <u>Cost</u>                                     |                   |                     |                      |                     |                          |                      |
| Balance at January 1, 2014                      | \$ 673,015        | \$ 4,448,838        | \$ 16,320,242        | \$ 4,565,731        | \$ 1,627,133             | \$ 27,634,959        |
| Additions                                       | -                 | 52,792              | 297,802              | 137,583             | 2,825,243                | 3,313,420            |
| Disposals                                       | (13,985)          | (86,308)            | (456,490)            | (112,197)           | -                        | (668,980)            |
| Effect of foreign currency exchange differences | 9,106             | 158,228             | 730,971              | 153,370             | 85,743                   | 1,137,418            |
| Reclassified                                    | <u>-</u>          | <u>689,311</u>      | <u>1,494,580</u>     | <u>343,768</u>      | <u>(2,262,493)</u>       | <u>265,166</u>       |
| Balance at December 31, 2014                    | <u>\$ 668,136</u> | <u>\$ 5,262,861</u> | <u>\$ 18,387,105</u> | <u>\$ 5,088,255</u> | <u>\$ 2,275,626</u>      | <u>\$ 31,681,983</u> |
| <u>Accumulated depreciation and impairment</u>  |                   |                     |                      |                     |                          |                      |
| Balance at January 1, 2014                      | \$ -              | \$ 834,430          | \$ 7,466,865         | \$ 2,370,554        | \$ -                     | \$ 10,671,849        |
| Disposals                                       | -                 | (3,482)             | (345,322)            | (90,199)            | -                        | (439,003)            |
| Depreciation expense                            | -                 | 199,708             | 1,262,712            | 392,473             | -                        | 1,854,893            |
| Effect of foreign currency exchange differences | -                 | 39,988              | 332,478              | 82,695              | -                        | 455,161              |
| Balance at December 31, 2014                    | <u>\$ -</u>       | <u>\$ 1,070,644</u> | <u>\$ 8,716,733</u>  | <u>\$ 2,755,523</u> | <u>\$ -</u>              | <u>\$ 12,542,900</u> |
| Carrying amount at January 1, 2014              | <u>\$ 673,015</u> | <u>\$ 3,614,408</u> | <u>\$ 8,853,377</u>  | <u>\$ 2,195,177</u> | <u>\$ 1,627,133</u>      | <u>\$ 16,963,110</u> |
| Carrying amount at December 31, 2014            | <u>\$ 668,136</u> | <u>\$ 4,192,217</u> | <u>\$ 9,670,372</u>  | <u>\$ 2,332,732</u> | <u>\$ 2,275,626</u>      | <u>\$ 19,139,083</u> |

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

|                            |             |
|----------------------------|-------------|
| Building                   |             |
| Main buildings             | 20-60 years |
| Electrical power equipment | 10-50 years |
| Other                      | 10-50 years |
| Machinery equipment        | 3-20 years  |
| Other assets               | 2-25 years  |

Refer to Note 30 for the carrying amount of property, plant and equipment pledged by the group to secure borrowings granted to the Group.

## 16. OTHER ASSETS

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2015</b>         | <b>2014</b>         |
| Office supplies                               | \$ 437,316          | \$ 369,840          |
| Prepayments for lease                         | 367,407             | 360,010             |
| Tax refund receivable                         | 294,892             | 410,105             |
| Prepaid expenses and prepayment for purchases | 198,738             | 380,605             |
| Refundable deposits                           | 36,492              | 35,416              |
| Restricted assets (Note 30)                   | 32,870              | -                   |
| Other receivables                             | 17,536              | 99,474              |
| Others  | <u>326,866</u>      | <u>290,763</u>      |
|   | <u>\$ 1,712,117</u> | <u>\$ 1,946,213</u> |
| Current                                       | \$ 1,314,954        | \$ 1,558,627        |
| Non-current                                   | <u>397,163</u>      | <u>387,586</u>      |
|   | <u>\$ 1,712,117</u> | <u>\$ 1,946,213</u> |

As of December 31, 2015 and 2014, prepaid lease payments mainly include legitimate land use rights of subsidiaries in Mainland China, Hon Chuan Vietnam, Hon Chuan Myanmar and Hon Chuan Indonesia which are located in China, Vietnam and Indonesia.

## 17. BORROWINGS

### a. Short-term borrowings

|                                       | <b>December 31</b>  |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | <b>2015</b>         | <b>2014</b>         |
| <u>Unsecured borrowings</u>           |                     |                     |
| Bank loans for working capital        | \$ 7,952,301        | \$ 7,514,756        |
| Loans for purchasing raw materials    | 59,301              | 200,823             |
| <u>Secured borrowings</u>             |                     |                     |
| Collateral loans (Note 30)            | <u>-</u>            | <u>800,000</u>      |
|                                       | <u>\$ 8,011,602</u> | <u>\$ 8,515,579</u> |
| <u>Rate of interest per annum (%)</u> |                     |                     |
| Collateral loans                      | -                   | 1.09                |
| Bank loans for working capital        | 0.97-1.60           | 0.84-1.51           |
| Loans for purchasing raw materials    | 0.26-1.81           | 1.15-1.37           |

b. Long-term borrowings

|  | <u>December 31</u>  |                     |
|--|---------------------|---------------------|
|  | <u>2015</u>         | <u>2014</u>         |
| Bank loans for working capital           | \$ 5,246,885        | \$ 5,240,185        |
| Collateral loans (Note 30)               | <u>-</u>            | <u>599,316</u>      |
|  | 5,246,885           | 5,839,501           |
| Less: current portion of long-term loans | <u>(262,600)</u>    | <u>(804,404)</u>    |
|  | <u>\$ 4,984,285</u> | <u>\$ 5,035,097</u> |

Rate of interest per annum (%)

|                                |           |           |
|--------------------------------|-----------|-----------|
| Bank loans for working capital | 1.05-1.80 | 0.97-1.69 |
| Collateral loans               | -         | 1.69      |

The Corporation entered into a secured loan agreement with a syndicate of banks led by Land Bank of Taiwan Co., Ltd. for repayment of short-term bank loans, procure fund for future investment and increase operating fund. Under the agreement, the Corporation should maintain certain financial ratios, as listed below, based on the numbers in the Corporation's annual financial statements.

- 1) Current ratio - at least 100% of financial statements.
- 2) Debt ratio - maximum of 200% of financial statements.
- 3) Interest coverage ratio - at least 300% of financial statements.
- 4) Tangible assets - at least \$7,000,000 thousand of financial statements.

If the Corporation could not maintain certain financial ratios, it must improve financial ratios and provide documents certified by the Corporation's auditor within five months of next year starting May 1. If the Corporation maintained these financial ratios within the grace period, there will be no violation of the agreement. However, the Corporation should pay interest at annual rate plus 0.2% from May 1 next year to the date it actually completed the improvement.

Samoa Hon Chuan entered into a syndicate term loan agreement led by Land Bank of Taiwan Co., Ltd. for repayment of short-term bank loans, procure fund for future investment fund and increase operating fund. The Corporation provided financial guarantees for Samoa Hon Chuan in the syndicated term loan agreement. Under the agreement, the Corporation should maintain some financial ratios, as listed below, based on the numbers in the Corporation's consolidated financial statements.

- 1) Current ratio - at least 80% of consolidated financial statements.
- 2) Debit ratio - maximum of 200% of consolidated financial statements.
- 3) Interest coverage ratio - at least 500% of consolidated financial statements.

If the Corporation could not maintain certain financial ratios, it must improve financial ratios and provide documents certified by the Corporation's auditor within five months of next year starting April 1. If the Corporation improved these financial ratios within the grace period, there will be no violation of the agreement. However, the Corporation should pay interest at annual rate plus 0.2% from April 1 next year to the date it actually completed the improvement.

## 18. BOND PAYABLE

|                                      | <u>December 31</u> |                   |
|--------------------------------------|--------------------|-------------------|
|                                      | <u>2015</u>        | <u>2014</u>       |
| Unsecured domestic convertible bonds | \$ 575,500         | \$ 575,500        |
| Less: Bonds discount                 | <u>(5,953)</u>     | <u>(16,829)</u>   |
|                                      | 569,547            | 558,671           |
| Less: Current portion                | <u>(569,547)</u>   | <u>-</u>          |
| Non-current                          | <u>\$ -</u>        | <u>\$ 558,671</u> |

On July 15, 2011, the Corporation issued 5-year unsecured, zero-coupon convertible bonds with a face value of \$1,000,000 thousand. The effective interest was 1.9467%. Bondholders may request the Corporation to convert the bonds into the Corporation's common shares at \$96.4 per share between August 16, 2011 and July 15, 2016, (barring the year in which registration of share transfer is suspended) or buy back the bonds on July 15, 2015 at 100% of their face value.

Between August 16, 2011 and June 5, 2016, if the closing price of the Corporation's shares reaches 30% of the conversion price for 30 consecutive trading days or when less than 10% of the bonds had been redeemed, bought back or converted, the Corporation may redeem the remaining bonds by cash at face value. Upon maturity, the Corporation should redeem the remaining bonds at 100% of their face value.

As of July 15, 2014, the bondholders had requested the Corporation to redeem the bonds of 4,245 shares and the Corporation had paid \$424,500 thousand for a period of five consecutive trading days. Under the agreement, the bonds payable were classified as non-current liabilities as of July 15, 2015.

As of December 31, 2015, bonds had not been converted into common shares. As of December 31, 2015, conversion price was adjusted according to regulated formula and was reset at \$71.9 per share.

## 19. LIABILITY COMPONENT OF PREFERRED STOCKS

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2015</u>        | <u>2014</u>       |
| Convertible preferred stock                            | \$ 607,263         | \$ 585,525        |
| Less: liability component of preferred stocks discount | <u>(33,199)</u>    | <u>(49,608)</u>   |
| Non-current  | <u>\$ 574,064</u>  | <u>\$ 535,917</u> |

Hon Chuan China issued participating preferred shares with subscription price of US\$18,500 thousand in August, 2007. As participating and cumulative shares, each preferred share has voting right equivalent to the number of ordinary share into which it is convertible. The preferred shares would convert into ordinary shares automatically before initial public offering (IPO) of Hon Chuan China or 10 years after the preferred shares were issued or, in certain period, should be redeemed by Hon Chuan China.

Dividends on liability component of preferred stock were \$35,263 thousand and \$32,618 thousand for the years ended December 31, 2015 and 2014, respectively (Note 23).

## 20. OTHER LIABILITIES

|   | <b>December 31</b> |                     |
|---|--------------------|---------------------|
|   | <b>2015</b>        | <b>2014</b>         |
| Payable for salaries                                  | \$ 199,567         | \$ 198,377          |
| Payable for purchase of equipment                     | 130,444            | 190,919             |
| Payable for bonus to employees                        | 20,241             | 23,333              |
| Payable for annual leave                              | 18,052             | 16,783              |
| Deferred revenue                                      | 14,335             | 17,158              |
| Payable for remuneration of directors and supervisors | 8,541              | 8,696               |
| Others  | <u>491,431</u>     | <u>653,534</u>      |
|   | <u>\$ 882,611</u>  | <u>\$ 1,108,800</u> |
| Current   | \$ 868,278         | \$ 1,091,642        |
| Non-current   | <u>14,333</u>      | <u>17,158</u>       |
|   | <u>\$ 882,611</u>  | <u>\$ 1,108,800</u> |

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

The employees of the Group’s subsidiary in China, Indonesia, Vietnam, Thailand, Malaysia, Myanmar and Cambodia are members of a state-managed retirement benefit plan operated by the government of China, Indonesia, Vietnam, Thailand, Malaysia, Myanmar and Cambodia. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

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

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

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2015</b>        | <b>2014</b>      |
| Present value of defined benefit obligation | \$ 148,855         | \$ 145,927       |
| Fair value of plan assets                   | <u>(108,555)</u>   | <u>(99,445)</u>  |
| Net defined benefit liability               | <u>\$ 40,300</u>   | <u>\$ 46,482</u> |

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

|   | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liability (Asset)</b> |
|---|--|--|--|
| Balance at January 1, 2014  | \$ 143,364   | \$ (93,955)                              | \$ 49,409  |
| Service cost  |  |  |  |
| Current service cost  | 1,786  | -  | 1,786  |
| Net interest expense (income)   | <u>2,775</u>   | <u>(1,876)</u>                           | <u>899</u>   |
| Recognized in profit or loss  | <u>4,561</u>   | <u>(1,876)</u>                           | <u>2,685</u>   |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (334)                                    | (334)  |
| Actuarial (gain) loss - changes in<br>demographic assumptions         | (19)   | -  | (19)   |
| Actuarial (gain) loss - changes in financial<br>assumptions           | (96)   | -  | (96)   |
| Actuarial (gain) loss - experience<br>adjustments                     | <u>4,040</u>   | <u>-</u>                                 | <u>4,040</u>   |
| Recognized in other comprehensive income                              | <u>3,925</u>   | <u>(334)</u>                             | <u>3,591</u>   |
| Contributions from the employer                                       | -  | (9,203)                                  | (9,203)  |
| Benefits paid   | <u>(5,923)</u>   | <u>5,923</u>                             | <u>-</u>   |
| Balance at December 31, 2014  | <u>145,927</u>   | <u>(99,445)</u>                          | <u>46,482</u>  |
| Service cost  |  |  |  |
| Current service cost  | 1,690  | -  | 1,690  |
| Net interest expense (income)   | <u>3,038</u>   | <u>(2,148)</u>                           | <u>890</u>   |
| Recognized in profit or loss  | <u>4,728</u>   | <u>(2,148)</u>                           | <u>2,580</u>   |
| Remeasurement   |  |  |  |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (496)                                    | (496)  |
| Actuarial (gain) loss - changes in<br>demographic assumptions         | 985  | -  | 985  |
| Actuarial (gain) loss - changes in financial<br>assumptions           | 4,924  | -  | 4,924  |
| Actuarial (gain) loss - experience<br>adjustments                     | <u>(5,005)</u>   | <u>-</u>                                 | <u>(5,005)</u>                                       |
| Recognized in other comprehensive income                              | <u>904</u>   | <u>(496)</u>                             | <u>408</u>   |
| Contributions from the employer                                       | -  | (9,170)                                  | (9,170)  |
| Benefits paid   | <u>(2,704)</u>   | <u>2,704</u>                             | <u>-</u>   |
| Balance at December 31, 2015  | <u>\$ 148,855</u>  | <u>\$ (108,555)</u>                      | <u>\$ 40,300</u>                                     |



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

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

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

|                                  | <u>December 31</u> |             |
|----------------------------------|--------------------|-------------|
|                                  | <b>2015</b>        | <b>2014</b> |
| Discount rate                    | 1.750%             | 2.125%      |
| Expected rate of salary increase | 1.500%             | 1.500%      |

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

|                                     | <u>December 31</u> |                   |
|-------------------------------------|--------------------|-------------------|
|                                     | <b>2015</b>        | <b>2014</b>       |
| Discount rate(s)                    |                    |                   |
| 0.25% increase                      | \$ <u>(3,337)</u>  | \$ <u>(3,558)</u> |
| 0.25% decrease                      | \$ <u>3,456</u>    | \$ <u>3,691</u>   |
| Expected rate(s) of salary increase |                    |                   |
| 0.25% increase                      | \$ <u>3,354</u>    | \$ <u>3,604</u>   |
| 0.25% decrease                      | \$ <u>(3,255)</u>  | \$ <u>(3,491)</u> |

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

|  | <u>December 31</u> |                 |
|--|--------------------|-----------------|
|  | <b>2015</b>        | <b>2014</b>     |
| The expected contributions to the plan for the next year | \$ <u>9,170</u>    | \$ <u>9,204</u> |
| The average duration of the defined benefit obligation   | 12 years           | 13 years        |

## 22. EQUITY

### a. Share capital

|   | <u>December 31</u>  |                     |
|---|---------------------|---------------------|
|   | <u>2015</u>         | <u>2014</u>         |
| Number of shares authorized<br>(in thousands)         | <u>350,000</u>      | <u>300,000</u>      |
| Shares authorized                                     | <u>\$ 3,500,000</u> | <u>\$ 3,000,000</u> |
| Number of shares issued and fully paid (in thousands) | <u>309,848</u>      | <u>259,848</u>      |
| Shares issued   | <u>\$ 3,098,479</u> | <u>\$ 2,598,479</u> |

On October 9, 2014, the Corporation's board of directors resolved to issue 50,000 thousand ordinary shares, with a par value of \$10 each, for tentative consideration of \$52 per share. On October 30, 2014, the above transaction was approved by the FSC, and on January 7, 2015, the FSC approved to extend the period of raising capital for 3 months until April 29, 2015. The subscription base date was determined at April 28, 2015 by the board of directors on March 11, 2015. On April 28, 2015, the deadline for raising cash capital, the share capital was increased to \$2.6 billion.

### b. Capital surplus

|  | <u>December 31</u>  |                     |
|--|---------------------|---------------------|
|  | <u>2015</u>         | <u>2014</u>         |
| Arising from issuance of common shares | \$ 5,212,598        | \$ 3,117,598        |
| Arising from employee share options    | 148,820             | 114,820             |
| Arising from share warrants            | <u>51,450</u>       | <u>51,450</u>       |
|  | <u>\$ 5,412,868</u> | <u>\$ 3,283,868</u> |

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's paid-in capital and once a year).

The capital surplus from long-term investments, employee stock options and share warrants may not be used for any purpose.

### c. Appropriation of earnings and dividend policy

The Corporation's Articles of Incorporation provide that the annual net income after paying income tax should be used first to make up for prior years' losses and set aside 10% as a legal reserve. The residual earnings, net of (i) the remuneration of all directors and supervisors of up to 3%; (ii) employee bonus of at least 1%; and (iii) special reserve, if necessary, will be distributed as dividends; (iv) the remaining is stockholder bonus distributed in proportion to owned shares.

Under the dividend policy in the Articles of Incorporation, at least 50% of dividends paid or distributed should be in the form of stock during the Corporation's growth stage. When the Group reaches mature stage, the percentage of cash dividends should be at least 50% of the total dividends.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Corporation's Articles of Incorporation had been proposed by the Corporation's board of directors on November 12, 2015 and are subject to the resolution of the shareholders in their meeting to be held on June 22, 2016. For information about the accrual basis of the employees' compensation and

remuneration to directors and supervisors and the actual appropriations, please refer to c. Employee benefits expense in Note 23.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, the Corporation should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation’s capital surplus. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation’s capital surplus, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

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

|                | <u>Appropriation of Earnings</u>      |             | <u>Dividends Per Share</u> |                    |
|----------------|---------------------------------------|-------------|----------------------------|--------------------|
|                | <u>For the Year Ended December 31</u> |             | <u>(NT\$)</u>              |                    |
|                | <u>2014</u>                           | <u>2013</u> | <u>For the Year Ended</u>  | <u>December 31</u> |
|                |                                       |             | <u>2014</u>                | <u>2013</u>        |
| Legal reserve  | \$ 96,621                             | \$ 111,031  |                            |                    |
| Cash dividends | 681,665                               | 649,620     | \$2.2                      | \$2.5              |

The appropriations of earnings for 2015 had been proposed by the Corporation’s board of directors on March 29, 2016. The appropriations and dividends per share were as follows:

|                 | <u>Appropriation</u> | <u>Dividends Per</u> |
|-----------------|----------------------|----------------------|
|                 | <u>of Earnings</u>   | <u>Share (NT\$)</u>  |
| Legal reserve   | \$ 94,896            |                      |
| Special reserve | 22,656               |                      |
| Cash dividends  | 585,758              | \$ 2                 |

The appropriations of earnings for 2015 are subject to the resolution of the shareholders’ meeting to be held on June 22, 2016.

d. Special reserves

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Corporation appropriated to the special reserve an amount of \$352,668 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

e. Treasury shares

| <b>Purpose of Buy-Back</b>            | <b>Shares<br/>Cancelled<br/>(In Thousands<br/>of Shares)</b> |
|---------------------------------------|--|
| Number of shares at January 1, 2015   | -  |
| Increase during the year              | 16,969   |
| Decrease during the year              | <u>-</u>   |
| Number of shares at December 31, 2015 | <u>16,969</u>  |

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote. The Corporation's board of directors proposed February 4, 2016 to be the date for cancellation of treasury shares and also the base date of capital reduction.

**23. NET PROFIT FROM CONTINUING OPERATIONS**

a. Other gains and losses

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2015</b>                           | <b>2014</b>       |
| Gain on valuation of financial assets                    | \$ 62,568                             | \$ 23,803         |
| Interest income  | 31,271                                | 44,369            |
| Gain (loss) on disposal of property, plant and equipment | (27,998)                              | 15,123            |
| Gain on disposal of investments                          | 16,461                                | -                 |
| Loss recognized on associates under equity method        | (13,080)                              | (5,716)           |
| Miscellaneous income                                     | <u>21,159</u>                         | <u>24,713</u>     |
|  | <u>\$ 90,381</u>                      | <u>\$ 102,292</u> |

b. Finance costs

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2015</b>                           | <b>2014</b>       |
| Interest on bank                                  | \$ 191,596                            | \$ 197,816        |
| Interest on convertible preferred stock (Note 19) | 35,263                                | 32,618            |
| Interest on convertible bonds                     | <u>10,876</u>                         | <u>14,802</u>     |
|   | <u>\$ 237,735</u>                     | <u>\$ 245,236</u> |

c. Employee benefits expense, depreciation and amortization expenses

|                                       | <b>For the Year Ended December 31</b> |                               |              |                            |                               |              |
|---------------------------------------|---------------------------------------|-------------------------------|--------------|----------------------------|-------------------------------|--------------|
|                                       | <b>2015</b>                           |                               |              | <b>2014</b>                |                               |              |
|                                       | <b>Operating<br/>Costs</b>            | <b>Operating<br/>Expenses</b> | <b>Total</b> | <b>Operating<br/>Costs</b> | <b>Operating<br/>Expenses</b> | <b>Total</b> |
| Employee benefits expense             |                                       |                               |              |                            |                               |              |
| Payroll expense                       | \$ 1,086,885                          | \$ 489,212                    | \$ 1,576,097 | \$ 1,048,330               | \$ 393,736                    | \$ 1,442,066 |
| Labor and health<br>insurance expense | 43,652                                | 17,663                        | 61,315       | 43,373                     | 16,667                        | 60,040       |
| Pension expense                       | 22,922                                | 68,441                        | 91,363       | 22,029                     | 56,780                        | 78,809       |
| Other employee benefits<br>expense    | 35,315                                | 66,755                        | 102,070      | 35,105                     | 66,703                        | 101,808      |
| Depreciation expenses                 | 1,861,429                             | 128,092                       | 1,989,521    | 1,745,643                  | 109,250                       | 1,854,893    |
| Amortization expenses                 | 7,760                                 | 29,625                        | 37,385       | 6,159                      | 21,460                        | 27,619       |

The existing Articles (2014) of Incorporation of the Corporation stipulate to distribute bonus to employees and remuneration to directors and supervisors at the rates no less than 1% and no higher than 3%, respectively, of net income (net of the bonus and remuneration). For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$23,333 thousand and \$8,696 thousand, respectively, representing 2.68% and 1%, respectively, of the base net income.

In compliance with the Company Act as amended in May 2015, the Corporation proposed amendments to its Articles of Incorporation to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were \$20,241 thousand and \$8,541 thousand, respectively, representing 1.80% and 0.76%, respectively, of the base net profit. The employees' compensation and remuneration to directors and supervisors in cash for the year ended December 31, 2015 have been approved by the Corporation's board of directors on March 29, 2016 and are subject to the resolution and adoption of the amendments to the Corporation's Articles of Incorporation by the shareholders in their meeting to be held on June 22, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June, 2015 and 2014, respectively, were as follows:

| <b>Cash Dividends</b>                     | <b>For the Year Ended December 31</b> |             |
|---|---------------------------------------|-------------|
|   | <b>2014</b>                           | <b>2013</b> |
| Bonus to employees                        | \$ 23,333                             | \$ 23,391   |
| Remuneration of directors and supervisors | 8,696                                 | 9,993       |

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors proposed by the board of directors and approved in the shareholders' meetings on June, 2015 and 2014 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2014 and 2013, respectively.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Corporation's board of directors in 2016 and bonus to employees, directors and supervisors resolved by the shareholders' meeting in 2015 and 2014 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. TAXES

- a. Major components of tax expense recognized in profit or loss

The major components of tax expense were as follows:

|   | <b><u>For the Year Ended December 31</u></b> |                   |
|---|--|-------------------|
|   | <b>2015</b>                                  | <b>2014</b>       |
| Current tax                                     |  |                   |
| In respect of the current year                  | \$ 175,115                                   | \$ 192,598        |
| Income tax expense of unappropriated earnings   | 18,494                                       | 34,897            |
| In respect of prior periods                     | 2,046  | 7,624             |
| Deferred tax                                    |  |                   |
| In respect of the current year                  | <u>(50,713)</u>                              | <u>(29,219)</u>   |
| Income tax expense recognized in profit or loss | <u>\$ 144,942</u>                            | <u>\$ 205,900</u> |

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

|  | <b><u>For the Year Ended December 31</u></b> |                   |
|--|--|-------------------|
|  | <b>2015</b>                                  | <b>2014</b>       |
| Income tax expense calculated at the statutory rate  | \$ 145,379                                   | \$ 201,295        |
| Nondeductible expenses in determining taxable income | 786  | 4,106             |
| Permanent differences-others                         | (30,651)                                     | (34,590)          |
| Tax-exempt income                                    | 8,888  | (7,432)           |
| Additional income tax on unappropriated earnings     | 18,494                                       | 34,897            |
| Adjustments for prior year's tax                     | <u>2,046</u>                                 | <u>7,624</u>      |
| Income tax expense recognized in profit or loss      | <u>\$ 144,942</u>                            | <u>\$ 205,900</u> |

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

b. Deferred tax assets and liabilities

| <b>For the Year Ended December 31, 2015</b> |                            |   |   |                            |
|---|----------------------------|---|---|----------------------------|
|   | <b>Opening<br/>Balance</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Recognized in<br/>Other<br/>Comprehensive<br/>Income</b> | <b>Closing<br/>Balance</b> |
| <u>Deferred Tax Assets</u>                  |                            |   |   |                            |
| Temporary differences                       |                            |   |   |                            |
| Accrued expenses                            | \$ 14,719                  | \$ (14,719)                             | \$ -  | \$ -                       |
| Inventories                                 | 4,824                      | 2,467                                   | -   | 7,291                      |
| Defined benefit obligation                  | 8,759                      | (500)                                   | 69  | 8,328                      |
| Other                                       | (8,212)                    | 27,113                                  | -   | 18,901                     |
| Tax losses                                  | <u>71,865</u>              | <u>64,938</u>                           | <u>-</u>  | <u>136,803</u>             |
|   | <u>\$ 91,955</u>           | <u>\$ 79,299</u>                        | <u>\$ 69</u>  | <u>\$ 171,323</u>          |
| <u>Deferred tax liabilities</u>             |                            |   |   |                            |
| Temporary differences                       |                            |   |   |                            |
| Reserve for land value<br>increment tax     | \$ 24,283                  | \$ -                                    | \$ -  | \$ 24,283                  |
| Others                                      | <u>-</u>                   | <u>28,586</u>                           | <u>-</u>  | <u>28,586</u>              |
|   | <u>\$ 24,283</u>           | <u>\$ 28,586</u>                        | <u>\$ -</u>   | <u>\$ 52,869</u>           |
| <b>For the Year Ended December 31, 2014</b> |                            |   |   |                            |
|   | <b>Opening<br/>Balance</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Recognized in<br/>Other<br/>Comprehensive<br/>Income</b> | <b>Closing<br/>Balance</b> |
| <u>Deferred Tax Assets</u>                  |                            |   |   |                            |
| Temporary differences                       |                            |   |   |                            |
| Accrued expenses                            | \$ 9,361                   | \$ 5,358                                | \$ -  | \$ 14,719                  |
| Inventories                                 | 311                        | 4,513                                   | -   | 4,824                      |
| Defined benefit obligation                  | 9,080                      | (932)                                   | 611   | 8,759                      |
| Other                                       | 6,216                      | (14,428)                                | -   | (8,212)                    |
| Tax losses                                  | <u>37,315</u>              | <u>34,550</u>                           | <u>-</u>  | <u>71,865</u>              |
|   | <u>\$ 62,283</u>           | <u>\$ 29,061</u>                        | <u>\$ 611</u>   | <u>\$ 91,955</u>           |
| <u>Deferred tax liabilities</u>             |                            |   |   |                            |
| Temporary differences                       |                            |   |   |                            |
| Reserve for land value<br>increment tax     | \$ 24,283                  | \$ -                                    | \$ -  | \$ 24,283                  |
| Others                                      | <u>158</u>                 | <u>(158)</u>                            | <u>-</u>  | <u>-</u>                   |
|   | <u>\$ 24,441</u>           | <u>\$ (158)</u>                         | <u>\$ -</u>   | <u>\$ 24,283</u>           |

- c. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2015 and 2014, the taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized were \$233,932 thousand and \$328,716 thousand, respectively.

- d. Information about unused loss carry-forward and tax-exemption

As of December 31, 2015, the approved tax-exempt expansion projects were as follows:

| <u>Expansion Projects</u>   | <u>Tax-exempt Period</u>       |
|---|--------------------------------|
| Capitalization of earnings (stock dividend) in 2008 and cash funded expansion in 2009 | December 2013 to December 2017 |

As of December 31, 2015 under the local regulations of Qingxin Hon Chuan, Suzhou Hon Chuan, Suzhou Hongxin, Xiantao Hon Chuan and Chuzhou Hon Chuan, their loss carryforwards may be offset against future taxable income.

- e. Integrated income tax

|  | <u>December 31</u>                           |                     |
|--|--|---------------------|
|  | <u>2015</u>                                  | <u>2014</u>         |
| Unappropriated earnings  |  |                     |
| Unappropriated earnings generated before January 1, 1998       | \$ 100,487                                   | \$ 100,487          |
| Unappropriated earnings generated on and after January 1, 1998 | <u>3,104,820</u>                             | <u>2,934,480</u>    |
|  | <u>\$ 3,205,307</u>                          | <u>\$ 3,034,967</u> |
| Imputation credits accounts                                    | <u>\$ 397,541</u>                            | <u>\$ 338,361</u>   |
|  | <b><u>For the Year Ended December 31</u></b> |                     |
|  | <b><u>2015</u></b>                           | <b><u>2014</u></b>  |
|  | <b>(Expected)</b>                            | <b>(Actual)</b>     |
| Creditable ratio for distribution of earnings                  | 15.26%                                       | 14.95%              |

- f. Income tax assessments

Income tax returns of the Corporation through 2013 have been examined and cleared by the tax authorities.



## 25. EARNINGS PER SHARE

|   | Net profit<br>attributable to<br>owner of the<br>Corporation | Number of<br>Shares<br>(In Thousands) | Earnings Per<br>Share<br>(NT\$) |
|---|--|---------------------------------------|---------------------------------|
| <u>For the year ended December 31, 2015</u>                         |  |                                       |                                 |
| Basic   | \$ 948,965   | 290,687                               | <u>\$ 3.26</u>                  |
| Dilutive effects - employees' compensation or<br>bonus to employees | -  | 625                                   |                                 |
| Domestic convertible bonus  | <u>9,027</u>   | <u>8,004</u>                          |                                 |
| Dilutive  | <u>\$ 957,992</u>  | <u>299,316</u>                        | <u>\$ 3.20</u>                  |
| <u>For the year ended December 31, 2014</u>                         |  |                                       |                                 |
| Basic   | \$ 966,212   | 259,848                               | <u>\$ 3.72</u>                  |
| Dilutive effects - bonus issue to employees                         | -  | 590                                   |                                 |
| Domestic convertible bonus  | <u>12,286</u>  | <u>10,119</u>                         |                                 |
| Dilutive  | <u>\$ 978,498</u>  | <u>270,557</u>                        | <u>\$ 3.62</u>                  |

Since the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 26. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of land and plant with lease terms between 5 and 10 years. The Group does not have a bargain purchase option to acquire the leased land and plant at the expiry of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2015</u>        | <u>2014</u>       |
| Not later than 1 year                        | \$ 49,213          | \$ 50,842         |
| Later than 1 year and not later than 5 years | 125,802            | 125,415           |
| Later than 5 years                           | <u>67,289</u>      | <u>90,482</u>     |
|  | <u>\$ 242,304</u>  | <u>\$ 266,739</u> |

## 27. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

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

## 28. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

|   | Level 1          | Level 2          | Total            |
|---|------------------|------------------|------------------|
| <u>December 31, 2015</u>                                      |                  |                  |                  |
| Available-for-sale financial assets                           |                  |                  |                  |
| overseas stock of publicly quoted entity                      | \$ <u>11,250</u> | \$ <u>-</u>      | \$ <u>11,250</u> |
| Financial assets at fair value through profit or loss (FVTPL) |                  |                  |                  |
| Foreign exchange forward contracts                            | \$ <u>-</u>      | \$ <u>19,226</u> | \$ <u>19,226</u> |
| <u>December 31, 2014</u>                                      |                  |                  |                  |
| Available-for-sale financial assets                           |                  |                  |                  |
| overseas stock of publicly quoted entity                      | \$ <u>19,340</u> | \$ <u>-</u>      | \$ <u>19,340</u> |
| Financial liabilities at FVTPL                                |                  |                  |                  |
| Interest swap contracts                                       | \$ <u>-</u>      | \$ <u>11,267</u> | \$ <u>11,267</u> |

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

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

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

b. Categories of financial instruments

|   | <u>December 31</u> |             |
|---|--------------------|-------------|
|   | <u>2015</u>        | <u>2014</u> |
| <u>Financial assets</u>                         |                    |             |
| FVTPL   | \$ 19,226          | \$ -        |
| Available-for-sale financial assets             | 11,250             | 19,340      |
| Loans and receivables                           |                    |             |
| Cash and cash equivalents                       | 2,421,959          | 2,065,813   |
| Financial assets measured at cost               | 40,091             | 25,970      |
| Debt investments with no active market          | 40,440             | 40,592      |
| Notes receivable and trade receivable           | 2,522,032          | 2,337,048   |
| <u>Financial liabilities</u>                    |                    |             |
| FVTPL   | -                  | 11,267      |
| Amortized cost                                  |                    |             |
| Short-term borrowings                           | 8,011,602          | 8,515,579   |
| Notes payable and trade payable                 | 659,036            | 769,438     |
| Bonds payable (including current portion)       | 569,547            | 558,671     |
| Long-term borrowing (including current portion) | 5,246,885          | 5,839,501   |
| Preferred stock liabilities                     | 574,064            | 535,917     |

c. Financial risk management objectives

The Group's major financial instruments included equity and debt investments, trade receivable, trade payables, bonds payable, borrowings and preferred stock liabilities. The Group's Corporate Treasury function manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's Corporate Treasury function evaluates quarterly if the use of financial derivatives is governed by the Group's policies approved by the board of directors. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

Foreign currency risk

The Group and several subsidiaries of the Corporation had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts. The use of financial derivatives would reduce the influence of foreign exchange risk but could not completely eliminate the risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows:

|                    | <b>December 31</b> |             |
|--------------------|--------------------|-------------|
|                    | <b>2015</b>        | <b>2014</b> |
| <u>Assets</u>      |                    |             |
| USD                | \$ 32,790          | \$ 18,039   |
| EUR                | 1,261              | 162         |
| <u>Liabilities</u> |                    |             |
| USD                | 89,626             | 114,039     |
| EUR                | 2,663              | 11,946      |

The Group was mainly exposed to the USD and EUR.

The Group's sensitivity to a 1% increase and decrease in NTD (the functional currency) against the relevant foreign currencies represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The sensitivity analysis included external borrowings as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. Assuming a 1% movement in the levels of the NTD against the USD, the pre-tax profit for the years ended December 31, 2015 and 2014 would have changed by decreasing \$18,739 thousand and increasing \$30,458 thousand, respectively. Assuming a 1% movement in the levels of the NTD against the EUR, losses before income tax for the years ended December 31, 2015 and 2014 would have changed by decreasing \$503 thousand and increasing \$4,533 thousand, respectively.

#### Interest rate risk

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

|                               | <b>December 31</b> |             |
|-------------------------------|--------------------|-------------|
|                               | <b>2015</b>        | <b>2014</b> |
| Fair value interest rate risk |                    |             |
| Financial assets              | \$ 40,440          | \$ 40,592   |
| Financial liabilities         | 1,143,611          | 1,094,588   |
| Cash flow interest rate risk  |                    |             |
| Financial liabilities         | 13,258,487         | 14,355,080  |

The Group was exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. In order to achieve this result, the Group entered into interest rate swaps to hedge its exposures to changes in fair values of the borrowings.

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.125% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been raised by 0.125% higher and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2015 and 2014 would decrease by \$17,708 thousand and \$16,672 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- The amount of contingent liabilities in relation to financial guarantee issued by the Group.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Corporation consider that the Group's credit risk was significantly reduced.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of trade receivables. The Group's concentrations of credit risk regarding top 5 customers were 52% and 47% in total trade receivables as of December 31, 2015 and 2014, respectively. No other concentration of credit risk was observed.

## 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2015 and 2014, the Corporation had available unutilized short-term bank loan facilities of \$6,805,794 thousand and \$4,764,741 thousand, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

|                                      | <b>Less Than<br/>1 Year</b> | <b>1-5 Years</b>    | <b>Total</b>         |
|--------------------------------------|-----------------------------|---------------------|----------------------|
| <u>December 31, 2015</u>             |                             |                     |                      |
| Non-derivative financial liabilities |                             |                     |                      |
| Borrowings                           | \$ 8,274,202                | \$ 4,984,285        | \$ 13,258,487        |
| Non-interest bearing liabilities     | 659,036                     | -                   | 659,036              |
| Bonds payable                        | 569,547                     | -                   | 569,547              |
| Preferred stock liabilities          | <u>-</u>                    | <u>574,064</u>      | <u>574,064</u>       |
|                                      | <u>\$ 9,502,785</u>         | <u>\$ 5,558,349</u> | <u>\$ 15,061,134</u> |
| <u>December 31, 2014</u>             |                             |                     |                      |
| Non-derivative financial liabilities |                             |                     |                      |
| Borrowings                           | \$ 9,319,983                | \$ 5,035,097        | \$ 14,355,080        |
| Non-interest bearing liabilities     | 769,438                     | -                   | 769,438              |
| Bonds payable                        | -                           | 558,671             | 558,671              |
| Preferred stock liabilities          | <u>-</u>                    | <u>535,917</u>      | <u>535,917</u>       |
|                                      | 10,089,421                  | 6,129,685           | 16,219,106           |
| Derivative financial liabilities     |                             |                     |                      |
| Interest swap contracts              | <u>11,267</u>               | <u>-</u>            | <u>11,267</u>        |
|                                      | <u>\$ 10,100,688</u>        | <u>\$ 6,129,685</u> | <u>\$ 16,230,373</u> |

## 29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which were related parties of the Corporation, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

### a. Sales of goods

|  | <b><u>For the Year Ended December 31</u></b> |                 |
|--|--|-----------------|
|  | <b>2015</b>                                  | <b>2014</b>     |
| Net sales  |  |                 |
| Others   | <u>\$ 13,535</u>                             | <u>\$ 2,641</u> |
| Rental expenses (recorded under manufacturing or operation expenses) |  |                 |
| Others   | <u>\$ 3,760</u>                              | <u>\$ 3,736</u> |

The price of sales to related parties and collection terms approximated those for third parties.

The Group has leased warehouse from related parties. The rent is based on the rates of neighboring properties.

|   | <b>December 31</b> |                  |
|---|--------------------|------------------|
|   | <b>2015</b>        | <b>2014</b>      |
| Accounts receivable                                       |                    |                  |
| Others  | \$ <u>1,899</u>    | \$ <u>469</u>    |
| Other payables (recorded under other current liabilities) |                    |                  |
| Others  | \$ <u>31,586</u>   | \$ <u>35,740</u> |

b. Compensation of key management personnel

|                          | <b>For the Year Ended December 31</b> |                  |
|--------------------------|---------------------------------------|------------------|
|                          | <b>2015</b>                           | <b>2014</b>      |
| Short-term benefits      | \$ 48,235                             | \$ 51,236        |
| Post-employment benefits | <u>480</u>                            | <u>515</u>       |
|                          | <u>\$ 48,715</u>                      | <u>\$ 51,751</u> |

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

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and the deposit for inviting tenders:

|   | <b>December 31</b>  |                     |
|---|---------------------|---------------------|
|   | <b>2015</b>         | <b>2014</b>         |
| Property, plant and equipment                           | \$ 1,508,880        | \$ 1,631,895        |
| Restricted assets (recorded under other current assets) | <u>32,870</u>       | <u>-</u>            |
|   | <u>\$ 1,541,750</u> | <u>\$ 1,631,895</u> |

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2015 and 2014 were as follows:

a. As of December 31, 2015 and 2014, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$129,914 thousand and \$136,936 thousand, respectively.

b. Unrecognized commitments are as follows:

|  | <b>December 31</b> |                   |
|--|--------------------|-------------------|
|  | <b>2015</b>        | <b>2014</b>       |
| Acquisition of property, plant and equipment | \$ <u>607,397</u>  | \$ <u>889,065</u> |

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

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

|  | December 31        |               |                    |                    |               |                    |
|--|--------------------|---------------|--------------------|--------------------|---------------|--------------------|
|  | 2015               |               |                    | 2014               |               |                    |
|  | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets of monetary items</u>      |                    |               |                    |                    |               |                    |
| USD  | \$ 45,629          | 32.83         | \$ 1,497,772       | \$ 15,590          | 31.65         | \$ 493,433         |
| RMB  | 305,013            | 5.06          | 1,541,836          | 282,691            | 5.17          | 1,462,193          |
| THB  | 715,285            | 0.91          | 654,202            | 529,672            | 0.96          | 512,194            |
| <u>Financial liabilities of monetary items</u> |                    |               |                    |                    |               |                    |
| USD  | 244,261            | 32.83         | 8,017,867          | 322,627            | 31.65         | 10,211,136         |
| RMB  | 254,026            | 5.06          | 1,284,097          | 177,596            | 5.17          | 918,597            |
| THB  | 131,033            | 0.91          | 119,843            | 153,564            | 0.96          | 148,497            |
| EUR  | 2,665              | 35.88         | 95,620             | 11,946             | 38.47         | 459,545            |

The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant foreign exchange gains (losses) were as follows:

|     | For the Year Ended December 31 |                                  |               |                                  |
|-----|--------------------------------|----------------------------------|---------------|----------------------------------|
|     | 2015                           |                                  | 2014          |                                  |
|     | Exchange Rate                  | Net Foreign Exchange Gain (Loss) | Exchange Rate | Net Foreign Exchange Gain (Loss) |
| RMB | 5.10                           | \$ (166,652)                     | 4.93          | \$ (10,410)                      |
| USD | 31.74                          | 64,482                           | 30.31         | 100,320                          |
| IDR | 0.0024                         | (39,777)                         | 0.0026        | 31,037                           |
| THB | 0.93                           | <u>33,921</u>                    | 0.94          | <u>6,280</u>                     |
|     |                                | <u>\$ (108,026)</u>              |               | <u>\$ 127,227</u>                |

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least \$300 million or 20% of the paid-in capital. (Table 4)



- 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
  - 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)
  - 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 5)
  - 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 6)
  - 9) Trading in derivative instruments. (Note 7)
  - 10) Intercompany relationships and significant intercompany transactions. (Table 7)
  - 11) Information on investees. (Table 8)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 7)
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 7)
    - c) The amount of property transactions and the amount of the resultant gains or losses. (Table 7)
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (Table 7)

### 34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Domestic - Manufacture and sale in Taiwan.
- Asia - Manufactures and sale in Asia other than Taiwan.

#### a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

|   | Domestic            | Asia                | Adjustment and<br>Elimination | Total                |
|---|---------------------|---------------------|-------------------------------|----------------------|
| <u>For the Year ended December 31, 2015</u> |                     |                     |                               |                      |
| Revenues from external customers            | \$ 7,129,659        | \$ 9,448,718        | \$ -                          | \$ 16,578,377        |
| Inter-segment revenues                      | <u>38,144</u>       | <u>36,030</u>       | <u>(74,174)</u>               | <u>-</u>             |
| Segment revenues                            | <u>\$ 7,167,803</u> | <u>\$ 9,484,748</u> | <u>\$ (74,174)</u>            | <u>\$ 16,578,377</u> |
| Segment income                              | <u>\$ 842,112</u>   | <u>\$ 422,003</u>   |                               | \$ 1,264,115         |
| Financial costs                             |                     |                     |                               | (237,735)            |
| Foreign exchange gain                       |                     |                     |                               | (85,678)             |
| Other gains and losses                      |                     |                     |                               | <u>90,381</u>        |
| Profit before tax                           |                     |                     |                               | <u>\$ 1,031,083</u>  |
| <u>For the Year ended December 31, 2014</u> |                     |                     |                               |                      |
| Revenues from external customers            | \$ 7,818,474        | \$ 9,408,000        | \$ -                          | \$ 17,226,474        |
| Inter-segment revenues                      | <u>32,942</u>       | <u>41,939</u>       | <u>(74,881)</u>               | <u>-</u>             |
| Segment revenues                            | <u>\$ 7,851,416</u> | <u>\$ 9,449,939</u> | <u>\$ (74,881)</u>            | <u>\$ 17,226,474</u> |
| Segment income                              | <u>\$ 931,447</u>   | <u>\$ 218,086</u>   |                               | \$ 1,149,533         |
| Financial costs                             |                     |                     |                               | (245,236)            |
| Foreign exchange gain                       |                     |                     |                               | 134,595              |
| Other gains and losses                      |                     |                     |                               | <u>102,292</u>       |
| Profit before tax                           |                     |                     |                               | <u>\$ 1,141,184</u>  |

Inter-segment revenues were accounted for according to market price.

Segment profit represented the profit before tax earned by each segment without interest income, gain or loss on disposal of property, plant and equipment, exchange gain or loss, valuation gain or loss on financial instruments, loss recognized on associates under equity method, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

|   | <b>For the Year Ended December 31</b> |                      |
|---|---------------------------------------|----------------------|
|   | <b>2015</b>                           | <b>2014</b>          |
| Packaging materials                         | \$ 11,127,629                         | \$ 10,607,356        |
| Beverages (included bottle filling and OEM) | 4,509,534                             | 5,387,043            |
| Others                                      | <u>941,214</u>                        | <u>1,232,075</u>     |
|   | <u>\$ 16,578,377</u>                  | <u>\$ 17,226,474</u> |

c. Geographical information

The Group operates in three principal geographical areas –Taiwan, China and Southeast Asia.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

|                | <b>Revenue from</b>                   |                      | <b>Non-current Assets</b> |                      |
|----------------|---------------------------------------|----------------------|---------------------------|----------------------|
|                | <b>External Customers</b>             |                      | <b>December 31</b>        |                      |
|                | <b>For the Year Ended December 31</b> |                      |                           |                      |
|                | <b>2015</b>                           | <b>2014</b>          | <b>2015</b>               | <b>2014</b>          |
| Taiwan         | \$ 7,129,659                          | \$ 7,818,474         | \$ 4,936,183              | \$ 5,120,572         |
| China          | 5,965,495                             | 5,907,078            | 10,174,536                | 10,855,694           |
| Southeast Asia | 2,387,637                             | 2,660,097            | 5,684,070                 | 5,046,044            |
| Others         | <u>1,095,586</u>                      | <u>840,825</u>       | <u>-</u>                  | <u>-</u>             |
|                | <u>\$ 16,578,377</u>                  | <u>\$ 17,226,474</u> | <u>\$ 20,794,789</u>      | <u>\$ 21,022,310</u> |

Non-current assets exclude financial instruments and deferred tax assets.

d. Information on major customers

Single customers that contributed 10% or more to the Group's revenue were as follows:

| <b>Names</b> | <b>For the Year Ended December 31</b> |              |
|--------------|---------------------------------------|--------------|
|              | <b>2015</b>                           | <b>2014</b>  |
| Customer A   | \$ 2,962,749                          | \$ 4,564,681 |
| Customer B   | 2,244,800                             | 2,320,598    |

## TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO RELATED ENTITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of Dollars, Unless Otherwise Specified)

| No. | Lender             | Borrower            | Financial Statement Account     | Related Parties | Highest Balance for the Period | Ending Balance             | Actual Borrowing Amount (Note 5) | Interest Rate           | Nature of Financing  | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral |       | Financing Limit for Each Borrower (Notes 1 and 3) | Aggregate Financing Limits (Notes 2 and 3) |            |
|-----|--------------------|---------------------|---------------------------------|-----------------|--------------------------------|----------------------------|----------------------------------|-------------------------|----------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|---|--|------------|
|     |                    |                     |                                 |                 |                                |                            |                                  |                         |                      |                              |                                  |                               | Item       | Value |   |  |            |
| 1   | Samoa Hon Chuan    | Suzhou Hongxin      | Receivable from related parties | Yes             | \$ 131,300<br>(US\$ 4,000)     | \$ -                       | \$ -                             | 1.83%-2.54%             | Short-term financing | \$ -                         | Operating Capital                | \$ -                          | -          | \$ -  | \$ 3,951,742                                      | \$ 3,951,742                               |            |
|     |                    | Hon Chuan China     | Receivable from related parties | Yes             | 3,094,839<br>(US\$ 94,283)     | 2,969,021<br>(US\$ 90,450) | 2,969,021<br>(US\$ 90,450)       | 1.82%-2.16%             | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 3,951,742   | 3,3951,742                                 |            |
|     |                    | Zangzhou Hon Chuan  | Receivable from related parties | Yes             | 131,300<br>(US\$ 4,000)        | -                          | -                                | -                       | 2.33%-2.54%          | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 3,951,742                                  | 3,3951,742 |
|     |                    | Taiyuan Hon Chuan   | Receivable from related parties | Yes             | 259,318<br>(US\$ 7,900)        | -                          | -                                | -                       | 1.83%-2.54%          | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 3,951,742                                  | 3,3951,742 |
|     |                    | Qingxin Hon Chuan   | Receivable from related parties | Yes             | 65,650<br>(US\$ 2,000)         | -                          | -                                | -                       | 1.83%-2.54%          | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 3,951,742                                  | 3,3951,742 |
|     |                    | Kai Gang            | Receivable from related parties | Yes             | 262,600<br>(US\$ 8,000)        | 98,475<br>(US\$ 3,000)     | 98,475<br>(US\$ 3,000)           | 98,475<br>(US\$ 3,000)  | 1.82%-2.16%          | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 3,951,742                                  | 3,3951,742 |
|     |                    | Samoa Hong Hsing    | Receivable from related parties | Yes             | 98,475<br>(US\$ 3,000)         | 98,475<br>(US\$ 3,000)     | 98,475<br>(US\$ 3,000)           | 98,475<br>(US\$ 3,000)  | 1.82%-2.16%          | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 3,951,742                                  | 3,3951,742 |
|     |                    | Chuzhou Hon Chuan   | Receivable from related parties | Yes             | 131,300<br>(US\$ 4,000)        | 131,300<br>(US\$ 4,000)    | 131,300<br>(US\$ 4,000)          | 131,300<br>(US\$ 4,000) | 2.33%-2.66%          | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 3,951,742                                  | 3,3951,742 |
|     |                    | Xiantao Hon Chuan   | Receivable from related parties | Yes             | 131,300<br>(US\$ 4,000)        | 98,475<br>(US\$ 3,000)     | 98,475<br>(US\$ 3,000)           | 98,475<br>(US\$ 3,000)  | 2.38%-2.66%          | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 3,951,742                                  | 3,3951,742 |
| 2   | Kai Gang           | Qingxin Hon Chuan   | Receivable from related parties | Yes             | 590,850<br>(US\$ 18,000)       | 393,900<br>(US\$ 12,000)   | 393,900<br>(US\$ 12,000)         | 1.83%-2.66%             | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 2,240,428   | 2,240,428                                  |            |
|     |                    | Hon Chuan China     | Receivable from related parties | Yes             | 636,805<br>(US\$ 19,400)       | 636,805<br>(US\$ 19,400)   | 636,805<br>(US\$ 19,400)         | 1.82%-2.16%             | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 2,240,428   | 2,240,428                                  |            |
|     |                    | Zangzhou Hon Chuan  | Receivable from related parties | Yes             | 164,125<br>(US\$ 5,000)        | -                          | -                                | -                       | 1.83%-2.66%          | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 2,240,428                                  | 2,240,428  |
| 3   | Samoa Hong Hsing   | Hon Chuan China     | Receivable from related parties | Yes             | 525,200<br>(US\$ 16,000)       | 525,200<br>(US\$ 16,000)   | 525,200<br>(US\$ 16,000)         | 1.82%-2.16%             | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 2,121,516   | 2,121,516                                  |            |
|     |                    | Taiyuan Hon Chuan   | Receivable from related parties | Yes             | 65,650<br>(US\$ 2,000)         | -                          | -                                | -                       | 1.83%-2.54%          | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 2,121,516                                  | 2,121,516  |
| 4   | Hon Chuan Asia     | Hon Chuan Indonesia | Receivable from related parties | Yes             | 144,430<br>(US\$ 4,400)        | 144,430<br>(US\$ 4,400)    | 144,430<br>(US\$ 4,400)          | 1.74%-2.42%             | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 2,255,669   | 2,255,669                                  |            |
|     |                    | Hon Chuan Vietnam   | Receivable from related parties | Yes             | 32,825<br>(US\$ 1,000)         | -                          | -                                | -                       | 1.74%-2.33%          | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 2,255,669                                  | 2,255,669  |
|     |                    | Hon Chuan Malaysia  | Receivable from related parties | Yes             | 49,238<br>(US\$ 1,500)         | -                          | -                                | -                       | 1.74%-2.28%          | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 2,255,669                                  | 2,255,669  |
|     |                    | Honly               | Receivable from related parties | Yes             | 30,279<br>(US\$ 922)           | 30,279<br>(US\$ 922)       | 30,279<br>(US\$ 922)             | 30,279<br>(US\$ 922)    | 2.42%                | Short-term financing         | -                                | Operating Capital             | -          | -     | -   | 2,255,669                                  | 2,255,669  |
| 5   | Suzhou Hon Chuan   | Qingxin Hon Chuan   | Receivable from related parties | Yes             | 25,275<br>(RMB 5,000)          | 25,275<br>(RMB 5,000)      | 25,275<br>(RMB 5,000)            | 4.35%                   | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 482,400   | 482,400                                    |            |
|     |                    | Xiantao Hon Chuan   | Receivable from related parties | Yes             | 63,188<br>(RMB 12,500)         | 63,188<br>(RMB 12,500)     | 63,188<br>(RMB 12,500)           | 4.35%                   | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 482,400   | 482,400                                    |            |
|     |                    | Zangzhou Hon Chuan  | Receivable from related parties | Yes             | 20,220<br>(RMB 4,000)          | 20,220<br>(RMB 4,000)      | 20,220<br>(RMB 4,000)            | 4.35%                   | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 482,400   | 482,400                                    |            |
|     |                    | Chuzhou Hon Chuan   | Receivable from related parties | Yes             | 26,792<br>(RMB 5,300)          | 26,792<br>(RMB 5,300)      | 26,792<br>(RMB 5,300)            | 4.35%                   | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 482,400   | 482,400                                    |            |
| 6   | Changsha Hon Chuan | Qingxin Hon Chuan   | Receivable from related parties | Yes             | 227,475<br>(RMB 45,000)        | 227,475<br>(RMB 45,000)    | 227,475<br>(RMB 45,000)          | 4.35%                   | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 440,976   | 440,976                                    |            |
|     |                    | Zangzhou Hon Chuan  | Receivable from related parties | Yes             | 10,110<br>(RMB 2,000)          | 10,110<br>(RMB 2,000)      | 10,110<br>(RMB 2,000)            | 4.35%                   | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 440,976   | 440,976                                    |            |
|     |                    | Chuzhou Hon Chuan   | Receivable from related parties | Yes             | 80,880<br>(RMB 16,000)         | 80,880<br>(RMB 16,000)     | 80,880<br>(RMB 16,000)           | 4.35%                   | Short-term financing | -                            | Operating Capital                | -                             | -          | -     | 440,976   | 440,976                                    |            |

(Continued)

| No. | Lender                   | Borrower                    | Financial Statement Account     | Related Parties | Highest Balance for the Period | Ending Balance           | Actual Borrowing Amount (Note 5) | Interest Rate | Nature of Financing  | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral |      | Financing Limit for Each Borrower (Notes 1 and 3) | Aggregate Financing Limits (Notes 2 and 3) |
|-----|--------------------------|-----------------------------|---------------------------------|-----------------|--------------------------------|--------------------------|----------------------------------|---------------|----------------------|------------------------------|----------------------------------|-------------------------------|------------|------|---|--|
| 7   | Suzhou Hongxin (Note 3)  | Xiantao Hon Chuan           | Receivable from related parties | Yes             | \$ 22,242<br>(RMB 4,400)       | \$ 22,242<br>(RMB 4,400) | \$ 22,242<br>(RMB 4,400)         | 4.35%         | Short-term financing | \$ -                         | Operating Capital                | \$ -                          | -          | \$ - | \$ 480,859  | \$ 480,859                                 |
| 8   | Jinan Hon Chuan (Note 3) | Qingxin Hon Chuan (Note 3)  | Receivable from related parties | Yes             | 156,705<br>(RMB 31,000)        | 156,705<br>(RMB 31,000)  | 156,705<br>(RMB 31,000)          | 4.35%         | Short-term financing | -                            | Operating Capital                | -                             | -          | -    | 508,148   | 508,148                                    |
|     |                          | Zangzhou Hon Chuan (Note 3) | Receivable from related parties | Yes             | 65,715<br>(RMB 13,000)         | 65,715<br>(RMB 13,000)   | 65,715<br>(RMB 13,000)           | 4.35%         | Short-term financing | -                            | Operating Capital                | -                             | -          | -    | 508,148   | 508,148                                    |
|     |                          | Xiantao Hon Chuan           | Receivable from related parties | Yes             | 27,803<br>(RMB 5,500)          | 27,803<br>(RMB 5,500)    | 27,803<br>(RMB 5,500)            | 4.35%         | Short-term financing | -                            | Operating Capital                | -                             | -          | -    | 508,148   | 508,148                                    |

Note 1: The financing for operation should not exceed the amount of transaction amounts; the short-term financing should not exceed 40% of the latest net assets of the subsidiaries.

Note 2: The maximum amount is 40% of the latest net assets of the subsidiaries

Note 3: Offshore subsidiaries whose voting share are 100% held, directly or indirectly, by the Company will not be subjected to the restriction on 40% of the latest net assets of the Company.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.

Note 5: Significant intercompany accounts and transactions have been eliminated.

(Concluded)

## TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of Dollars, Unless Otherwise Specified)

| No. | Endorser/Guarantor | Endorsee/Guarantee |              | Limits on<br>Endorsement/<br>Guarantee Given<br>on Behalf of<br>Each Party<br>(Notes 1 and 3) | Maximum<br>Amount<br>Endorsed/<br>Guaranteed<br>During the<br>Period | Outstanding<br>Endorsement/<br>Guarantee at the<br>End of the Period | Actual<br>Borrowing<br>Amount | Amount<br>Endorsed/<br>Guaranteed by<br>Collaterals | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to Net<br>Equity In Latest<br>Financial<br>Statements (%) | Aggregate<br>Endorsement/<br>Guarantee Limit<br>(Notes 2 and 3) | Endorsement/<br>Guarantee Given<br>by Parent on<br>Behalf of<br>Subsidiaries | Endorsement/<br>Guarantee Given<br>by Subsidiaries<br>on Behalf of<br>Parent | Endorsement/<br>Guarantee Given<br>On behalf of<br>Companies in<br>Mainland China |
|-----|--------------------|--------------------|--------------|---|--|--|-------------------------------|---|--|---|--|--|---|
|     |                    | Name               | Relationship |   |  |  |                               |   |  |   |  |  |   |
| 0   | The Corporation    | Samoa Hon Chuan    | (Note 4)     | \$ 6,241,371  | \$ 3,216,850<br>(US\$ 98,000)  | \$ 3,216,850<br>(US\$ 98,000)  | \$ 2,842,645<br>(US\$ 86,600) | \$ -  | 26   | \$ 12,482,742   | Y  | -  | -   |
|     |                    | Hon Chuan China    | (Note 4)     | 6,241,371   | 3,380,975<br>(US\$ 103,000)  | 3,380,975<br>(US\$ 103,000)  | 2,226,520<br>(US\$ 67,830)    | -   | 27   | 12,482,742  | Y  | -  | -   |
|     |                    | Hon Chuan Asia     | (Note 4)     | 6,241,371   | 1,871,025<br>(US\$ 57,000)   | 1,871,025<br>(US\$ 57,000)   | 1,246,821<br>(US\$ 37,984)    | -   | 15   | 12,482,742  | Y  | -  | -   |
|     |                    | Qingxin Hon Chuan  | (Note 4)     | 6,241,371   | 98,475<br>(US\$ 3,000)   | 98,475<br>(US\$ 3,000)   | -                             | -   | 1  | 12,482,742  | Y  | -  | Y   |
|     |                    | Taiyuan Hon Chuan  | (Note 4)     | 6,241,371   | 164,125<br>(US\$ 5,000)  | 164,125<br>(US\$ 5,000)  | 114,888<br>(US\$ 3,500)       | -   | 1  | 12,482,742  | Y  | -  | Y   |
|     |                    | Samoa Hon Hsing    | (Note 4)     | 6,241,371   | 623,675<br>(US\$ 19,000)   | 623,675<br>(US\$ 19,000)   | 449,703<br>(US\$ 13,700)      | -   | 5  | 12,482,742  | Y  | -  | -   |
|     |                    | Kai Gang           | (Note 4)     | 6,241,371   | 1,148,875<br>(US\$ 35,000)   | 1,148,875<br>(US\$ 35,000)   | 525,200<br>(US\$ 16,000)      | -   | 9  | 12,482,742  | Y  | -  | -   |
|     |                    | Suzhou Hongxin     | (Note 4)     | 6,241,371   | 164,125<br>(US\$ 5,000)  | 164,125<br>(US\$ 5,000)  | 114,888<br>(US\$ 3,500)       | -   | 1  | 12,482,742  | Y  | -  | Y   |
|     |                    | Jinan Hon Chuan    | (Note 4)     | 6,241,371   | 328,250<br>(US\$ 10,000)   | 328,250<br>(US\$ 10,000)   | 246,188<br>(US\$ 7,500)       | -   | 3  | 12,482,742  | Y  | -  | Y   |
|     |                    | Xiantao Hon Chuan  | (Note 4)     | 6,241,371   | 164,125<br>(US\$ 5,000)  | 164,125<br>(US\$ 5,000)  | -                             | -   | 1  | 12,482,742  | Y  | -  | Y   |
| 1   | Suzhou Hon Chuan   | Changsha Hon Chuan | (Note 4)     | 6,241,371   | 151,650<br>(RMB 30,000)  | -  | -                             | -   | -  | 12,482,742  | -  | -  | Y   |
|     |                    | Jinan Hon Chuan    | (Note 4)     | 6,241,371   | 101,100<br>(RMB 20,000)  | -  | -                             | -   | -  | 12,482,742  | -  | -  | Y   |
| 2   | Suzhou Hongxin     | Suzhou Hon Chuan   | (Note 4)     | 6,241,371   | 50,550<br>(RMB 10,000)   | 50,550<br>(RMB 10,000)   | -                             | -   | -  | 12,482,742  | -  | -  | Y   |
| 3   | Changsha Hon Chuan | Jinan Hon Chuan    | (Note 4)     | 6,241,371   | 101,100<br>(RMB 20,000)  | -  | -                             | -   | -  | 12,482,742  | -  | -  | Y   |
|     |                    | Suzhou Hon Chuan   | (Note 4)     | 6,241,371   | 101,100<br>(RMB 20,000)  | -  | -                             | -   | -  | 12,482,742  | -  | -  | Y   |
| 4   | Jinan Hon Chuan    | Suzhou Hon Chuan   | (Note 4)     | 6,241,371   | 101,100<br>(RMB 20,000)  | -  | -                             | -   | -  | 12,482,742  | -  | -  | Y   |
|     |                    | Changsha Hon Chuan | (Note 4)     | 6,241,371   | 151,650<br>(RMB 30,000)  | -  | -                             | -   | -  | 12,482,742  | -  | -  | Y   |

(Continued)

| No. | Endorser/Guarantor                 | Endorsee/Guarantee              |              | Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 1 and 3) | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3) | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given On behalf of Companies in Mainland China |
|-----|------------------------------------|---------------------------------|--------------|--|---|---|-------------------------|--|--|--|--|--|---|
|     |                                    | Name                            | Relationship |  |   |   |                         |  |  |  |  |  |   |
| 5   | Suzhou Hon Chuan, two subsidiaries | Suhou Hongxin, two subsidiaries | (Note 4)     | \$ 6,241,371   | \$ 75,825<br>(RMB 15,000)                             | \$ -  | \$ -                    | \$ -                                       | -  | \$ 12,482,742  | -  | -  | Y   |
| 6   | Hon Chuan Thailand                 | Hon Fu Thailand                 | (Note 4)     | 6,241,371  | 54,876<br>(THB 60,000)                                | 54,876<br>(THB 60,000)                                      | 18,424<br>(THB 20,144)  | -  | -  | 12,482,742   | -  | -  | -   |

Note 1: The maximum is 50% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 2: The maximum is 100% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 3: The maximum amount of the total guarantee for all group entities is 100% of the net assets of the Corporation and subsidiaries.

Note 4: Investees which the Corporation directly and indirectly holds more than 50% percent of the voting shares.

Note 5: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.

(Concluded)

## TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2015

(In Thousands of Dollars, Unless Otherwise Specified)

| Holding Company Name | Type and Name of Marketable Securities                                     | Relationship with the Holding Company | Financial Statement Account                      | December 31, 2015 |                        |                                  |                        |
|----------------------|--|---------------------------------------|--|-------------------|------------------------|----------------------------------|------------------------|
|                      |  |                                       |  | Shares            | Carrying Value         | Percentage of Ownership (Note 1) | Fair Value (Note 1)    |
| The Corporation      | <u>Capital Stock</u><br>Globaltec Technology Partner Venture Capital Corp. | -                                     | Financial assets measured at cost - noncurrent   | 644,656           | \$ 1,446               | 2                                | \$ 1,446               |
|                      | Lightel Technologies Inc.  | -                                     | Financial assets measured at cost - noncurrent   | 551,051           | 8,645                  | 2                                | 8,645                  |
|                      | CDIB CME Fund Ltd.   | -                                     | Financial assets measured at cost - noncurrent   | 3,000,000         | 30,000                 | 2                                | 30,000                 |
| Samoa Hon Chuan      | <u>Corporate Bonds</u><br>Green Fresh                                      | -                                     | Debt investments with no active market - current | -                 | 40,440<br>(US\$ 1,232) | -                                | 40,440<br>(US\$ 1,232) |
|                      | <u>Capital Stock</u><br>Ichitan Company                                    | -                                     | Available-for-sale financial assets - noncurrent | 1,000,000         | 11,250<br>(THB 12,300) | 0.08                             | 11,250<br>(THB 12,300) |

Note 1: The fair value of the securities held was based on cost as established at the date of acquisition.

Note 2: Information on investees, please see Tables 8 and 9.

Note 3: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.



**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands, Except Number of Shares)**

| Company Name    | Type and Name of Marketable Securities | Financial Statement Account                   | Counterparty | Relationship        | Beginning Balance |                             | Acquisition |                          | Ending Balance |                             |
|-----------------|--|---|--------------|---------------------|-------------------|-----------------------------|-------------|--------------------------|----------------|-----------------------------|
|                 |  |   |              |                     | Shares            | Amount (Note 1)             | Shares      | Amount                   | Shares         | Amount (Notes 1 and 3)      |
| The Corporation | Samoa Hon Chuan                        | Investments accounted for using equity method | -            | Parent - subsidiary | 252,196,725       | \$ 9,640,422                | 25,000,000  | \$ 770,617               | 277,196,725    | \$ 9,853,487                |
| Samoa Hon Chuan | Hon Chuan Asia                         | Investments accounted for using equity method | -            | Parent - subsidiary | 132,022,505       | 5,421,804<br>(US\$ 165,173) | 26,700,000  | 876,428<br>(US\$ 26,700) | 158,722,505    | 5,983,374<br>(US\$ 182,281) |

Note 1: Amount includes investment income/loss recognized under equity method and cumulative translation adjustment.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.

Note 3: Significant intercompany accounts and transactions have been eliminated.

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND INVESTEES**

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

| Purchaser or Seller | Related Party      | Nature of Relationship with the Purchaser or Seller | Transaction Details |               |            |                  | Abnormal Transaction |                  | Notes and Accounts Receivable (Payable) |            | Note |
|---------------------|--------------------|---|---------------------|---------------|------------|------------------|----------------------|------------------|---|------------|------|
|                     |                    |   | Purchase or Sale    | Amount (Note) | % to Total | Collection Terms | Unit Price           | Collection Terms | Ending Balance                          | % to Total |      |
| Hon Chuan Thailand  | Hon Chuan Asia     | Parent - subsidiary                                 | (Sale)              | \$ (258,326)  | (16)       | T/T 180 days     | \$ -                 | -                | \$ 53,191                               | 16         |      |
| Hon Chuan Asia      | Hon Chuan Thailand | Parent - subsidiary                                 | Purchase            | 258,326       | 26         | T/T 180 days     | -                    | -                | (53,191)                                | (57)       |      |

Note: Significant intercompany accounts and transactions have been eliminated.

## TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
 DECEMBER 31, 2015  
 (In Thousands of Dollars, Unless Otherwise Specified)

| Company Name       | Related Party       | Relationship | Ending Balance<br>(Note 2)    | Turnover<br>Rate | Overdue |                         | Amount Received in<br>Subsequent Period | Allowance for<br>Impairment Loss |
|--------------------|---------------------|--------------|-------------------------------|------------------|---------|-------------------------|---|----------------------------------|
|                    |                     |              |                               |                  | Amount  | Action Taken            |   |                                  |
| Samoa Hon Chuan    | Hon Chuan China     | (Note 1)     | \$ 2,969,021<br>(US\$ 90,450) | -                | \$ -    | Depend on the operation | \$ -                                    | \$ -                             |
|                    | Chuzhou Hon Chuan   | (Note 1)     | 131,300<br>(US\$ 4,000)       | -                | -       | Depend on the operation | -                                       | -                                |
| Kai Gang           | Qingxin Hon Chuan   | (Note 1)     | 393,900<br>(US\$ 12,000)      | -                | -       | Depend on the operation | -                                       | -                                |
|                    | Hon Chuan China     | (Note 1)     | 636,805<br>(US\$ 19,400)      | -                | -       | Depend on the operation | -                                       | -                                |
| Samoa Hon Hsing    | Hon Chuan China     | (Note 1)     | 525,200<br>(US\$ 16,000)      | -                | -       | Depend on the operation | -                                       | -                                |
| Hon Chuan Asia     | Hon chuan Indonesia | (Note 1)     | 144,430<br>(US\$ 4,400)       | -                | -       | Depend on the operation | -                                       | -                                |
| Changsha Hon Chuan | Qingxin Hon chuan   | (Note 1)     | 227,475<br>(RMB 45,000)       | -                | -       | Depend on the operation | 35,385<br>(RMB 7,000)                   | -                                |
| Jinan Hon Chuan    | Qingxin Hon chuan   | (Note 1)     | 156,705<br>(RMB 31,000)       | -                | -       | Depend on the operation | -                                       | -                                |
| Hon Chuan Asia     | Hon Chuan Myanmar   | (Note 1)     | 362,154<br>(US\$ 11,033)      | -                | -       | Depend on the operation | -                                       | -                                |
| Samoa Honly        | Cambodia Honly      | (Note 1)     | 138,307<br>(US\$ 4,213)       | -                | -       | Depend on the operation | -                                       | -                                |
| Hon Chuan China    | Xiantao Hon Chuan   | (Note 1)     | 329,324<br>(US\$ 10,033)      | -                | -       | Depend on the operation | -                                       | -                                |

Note 1: Please see Note 13.

Note 2: Significant intercompany accounts and transactions have been eliminated.

**TABLE 7**

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands)**

| No. | Investee Company    | Counterparty                         | Relationship<br>(Note 1) | Transaction Details             |           |                                       | % to<br>Total Sales or<br>Assets |
|-----|---------------------|--------------------------------------|--------------------------|---------------------------------|-----------|---------------------------------------|----------------------------------|
|     |                     |                                      |                          | Financial Statement Account     | Amount    | Payment Terms                         |                                  |
| 0   | The Corporation     | Hon Chuan Asia and its subsidiaries  | 1                        | Sales                           | \$ 30,821 | T/T 180 days                          | -                                |
|     |                     | Hon Chuan Asia and its subsidiaries  | 1                        | Purchase                        | 30,293    | T/T 180 days                          | -                                |
|     |                     | Hon Chuan Asia and its subsidiaries  | 1                        | Technical service revenue       | 25,747    | Depend on working capital sufficiency | -                                |
|     |                     | Hon Chuan China and its subsidiaries | 1                        | Sales                           | 7,323     | T/T 180 days                          | -                                |
|     |                     | Hon Chuan China and its subsidiaries | 1                        | Purchase                        | 5,738     | T/T 180 days                          | -                                |
|     |                     | Hon Chuan China and its subsidiaries | 1                        | Technical service revenue       | 22,529    | Depend on working capital sufficiency | -                                |
| 1   | Samoa Hon Chuan     | Hon Chuan China and its subsidiaries | 3                        | Receivable from related parties | 3,395,746 | Depend on working capital sufficiency | 12                               |
|     |                     | Hon Chuan China and its subsidiaries | 3                        | Interest receivable             | 17,966    | Depend on working capital sufficiency | -                                |
|     |                     | Hon Chuan China and its subsidiaries | 3                        | Interest revenue                | 74,692    | Depend on working capital sufficiency | -                                |
| 2   | Hon Chuan Asia      | Among Hon Chuan Asia's subsidiaries  | 3                        | Receivable from related parties | 174,709   | Depend on working capital sufficiency | 1                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Accounts receivable             | 475,332   | T/T 180 days                          | 2                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Accounts Payable                | 76,303    | T/T 180 days                          | -                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Purchase                        | 404,210   | T/T 180 days                          | 2                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Sales                           | 626,716   | T/T 180 days                          | 4                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Realized gross profit           | 10,354    | -                                     | -                                |
|     |                     | Hon Chuan China and its subsidiaries | 3                        | Purchase                        | 6,169     | T/T 180 days                          | -                                |
| 3   | Hon Chuan Thailand  | Among Hon Chuan Asia's subsidiaries  | 3                        | Accounts receivable             | 16,757    | T/T 180 days                          | -                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Sales                           | 3,373     | T/T 180 days                          | -                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Purchase                        | 83,887    | T/T 180 days                          | 1                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Accounts Payable                | 22,742    | T/T 180 days                          | -                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Other income                    | 14,060    | Depend on working capital sufficiency | -                                |
| 4   | Hon Fu Thailand     | Among Hon Chuan Asia's subsidiaries  | 3                        | Accounts receivable             | 20,793    | T/T 180 days                          | -                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Sales                           | 23,268    | T/T 180 days                          | -                                |
| 5   | Hon Chuan Malaysia  | Among Hon Chuan Asia's subsidiaries  | 3                        | Sales                           | 23,552    | T/T 180 days                          | -                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Purchase                        | 1,323     | T/T 180 days                          | -                                |
| 6   | Hon Chuan Indonesia | Among Hon Chuan Asia's subsidiaries  | 3                        | Purchase                        | 4,989     | T/T 180 days                          | -                                |
| 7   | Hon Chuan Vietnam   | Among Hon Chuan Asia's subsidiaries  | 3                        | Sales                           | 8,681     | T/T 180 days                          | -                                |
| 8   | Samoa Honly         | Among Hon Chuan Asia's subsidiaries  | 3                        | Sales                           | 14,923    | T/T 180 days                          | -                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Other unearned revenue          | 122,525   | Depend on working capital sufficiency | -                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Purchase                        | 8,766     | T/T 180 days                          | -                                |
|     |                     | Among Hon Chuan Asia's subsidiaries  | 3                        | Accounts Receivable             | 15,782    | T/T 180 days                          | -                                |

(Continued)

| No. | Investee Company   | Counterparty                         | Relationship (Note 1) | Transaction Details                       |           |                                       | % to Total Sales or Assets |
|-----|--------------------|--------------------------------------|-----------------------|---|-----------|---------------------------------------|----------------------------|
|     |                    |                                      |                       | Financial Statement Account               | Amount    | Payment Terms                         |                            |
| 9   | Hon Chuan China    | Nibno Hon Chuan                      | 3                     | Accounts payable                          | \$ 58,905 | Depend on working capital sufficiency | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Other receivable                          | 329,324   | Depend on working capital sufficiency | 1                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Payable from related parties              | 1,162,005 | Depend on working capital sufficiency | 4                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Realized gross profit                     | 16,852    | -                                     | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Interest expense                          | 22,331    | Depend on working capital sufficiency | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Sales of property, plant and equipment    | 43,862    | Depend on working capital sufficiency | -                          |
| 10  | Kai Gang           | Among Hon Chuan China's subsidiaries | 3                     | Receivable from related parties           | 393,900   | Depend on working capital sufficiency | 1                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Interest revenue                          | 16,689    | Depend on working capital sufficiency | -                          |
| 11  | Suzhou Hon Chuan   | Among Hon Chuan China's subsidiaries | 3                     | Sales                                     | 70,555    | T/T 180 days                          | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Purchase                                  | 19,223    | T/T 180 days                          | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Other receivable                          | 30,330    | Depend on working capital sufficiency | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Manufacturing expense                     | 31,208    | Depend on working capital sufficiency | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Purchase of property, plant and equipment | 15,794    | Depend on working capital sufficiency | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Receivable from related parties           | 135,474   | Depend on working capital sufficiency | -                          |
| 12  | Suzhou Hongxing    | Among Hon Chuan China's subsidiaries | 3                     | Purchase                                  | 20,456    | T/T 180 days                          | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Sales                                     | 74        | T/T 180 days                          | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Receivable from related parties           | 22,242    | Depend on working capital sufficiency | -                          |
| 13  | Jinan Hon Chuan    | Among Hon Chuan China's subsidiaries | 3                     | Sales                                     | 7,107     | T/T 180 days                          | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Purchase                                  | 52,685    | T/T 180 days                          | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Other revenue                             | 12,794    | Depend on working capital sufficiency | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Receivable from related parties           | 250,222   | Depend on working capital sufficiency | 1                          |
| 14  | Taiyuan Hon Chuan  | Among Hon Chuan China's subsidiaries | 3                     | Purchase                                  | 3,943     | T/T 180 days                          | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Sales                                     | 21,814    | T/T 180 days                          | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Sales of property, plant and equipment    | 44,220    | Depend on working capital sufficiency | -                          |
| 15  | Changsha Hon Chuan | Among Hon Chuan China's subsidiaries | 3                     | Sales                                     | 1,322     | T/T 180 days                          | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Other receivable                          | 13,299    | Depend on working capital sufficiency | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Purchase                                  | 1         | T/T 180 days                          | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Receivable from related parties           | 318,464   | Depend on working capital sufficiency | 1                          |
| 16  | Qingxin Hon Chuan  | Among Hon Chuan China's subsidiaries | 3                     | Purchase                                  | 6,064     | T/T 180 days                          | -                          |
| 17  | Zangzhou Hon Chuan | Among Hon Chuan China's subsidiaries | 3                     | Sales                                     | 22,826    | T/T 180 days                          | -                          |
|     |                    | Among Hon Chuan China's subsidiaries | 3                     | Purchase                                  | 2,539     | T/T 180 days                          | -                          |

Note 1: Relationship of counterparty; (1) parent company to subsidiary; (2) subsidiary to parent company; (3) subsidiary to subsidiary.

Note 2: Significant intercompany accounts and transactions have been eliminated.

(Concluded)

## TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of Dollars, Unless Stated Otherwise)

| Investor Company   | Investee Company    | Location      | Main Businesses and Products   | Original Investment Amount  |                             | As of December 31, 2015 |       |                             | Net Income (Loss) of the Investee | Share of Profits (Loss) (Note 4) | Note                |
|--------------------|---------------------|---------------|--|-----------------------------|-----------------------------|-------------------------|-------|-----------------------------|-----------------------------------|----------------------------------|---------------------|
|                    |                     |               |  | December 31, 2015           | December 31, 2014           | Shares                  | %     | Carrying Amount (Note 4)    |                                   |                                  |                     |
| The Corporation    | Samoa Hon Chuan     | Samoa         | Overseas reinvested holding company and international trade              | \$ 8,477,415                | \$ 7,706,796                | 277,196,725             | 100   | \$ 9,853,487                | \$ 180,301                        | \$ 180,301                       | Subsidiary          |
| Samoa Hon Chuan    | Hon Chuan China     | Cayman Island | Overseas reinvested holding company                                      | 3,681,849<br>(US\$ 112,166) | 3,681,849<br>(US\$ 112,166) | 91,230,576              | 76.84 | 3,734,238<br>(US\$ 113,762) | (238,487)<br>(US\$ 7,514)         | (Note 1)                         | Indirect subsidiary |
|                    | Hon Chuan Asia      | Cayman Island | Overseas reinvested holding company and international trade              | 5,266,345<br>(US\$ 160,437) | 4,389,917<br>(US\$ 133,737) | 158,722,505             | 100   | 5,983,374<br>(US\$ 182,281) | 338,147<br>(US\$ 10,654)          | (Note 1)                         | Indirect subsidiary |
| Hon Chuan China    | Kai Gang            | Hong Kong     | Overseas reinvested holding company                                      | 4,610,600<br>(US\$ 140,460) | 4,610,600<br>(US\$ 140,460) | 1,097,377,292           | 100   | 5,458,633<br>(US\$ 166,295) | (76,142)<br>(US\$ 2,399)          | (Note 1)                         | Indirect subsidiary |
|                    | Samoa Hong Hsing    | Samoa         | Overseas reinvested holding company                                      | 4,136,147<br>(US\$ 126,006) | 4,136,147<br>(US\$ 126,006) | 126,006,000             | 100   | 5,170,594<br>(US\$ 157,520) | (33,643)<br>(US\$ 1,060)          | (Note 1)                         | Indirect subsidiary |
| Hon Chuan Asia     | Hon Chuan Thailand  | Thailand      | Manufacture and sale of plastic caps and PET bottles                     | 1,362,172<br>(US\$ 41,498)  | 1,362,172<br>(US\$ 41,498)  | 137,000,000             | 100   | 2,242,637<br>(US\$ 68,321)  | 227,854<br>(US\$ 7,179)           | (Note 1)                         | Indirect subsidiary |
|                    | Hon Chuan Indonesia | Indonesia     | Manufacture and sale of plastic caps and PET bottles                     | 2,594,357<br>(US\$ 79,036)  | 2,342,228<br>(US\$ 71,355)  | 78,984,413              | 100   | 2,198,848<br>(US\$ 66,987)  | (70,334)<br>(US\$ 2,216)          | (Note 1)                         | Indirect subsidiary |
|                    | Hon Chuan Vietnam   | Vietnam       | Manufacture and sale of plastic caps and PET bottles                     | 820,625<br>(US\$ 25,000)    | 656,500<br>(US\$ 20,000)    | -                       | 100   | 935,545<br>(US\$ 28,501)    | 119,116<br>(US\$ 3,753)           | (Note 1)                         | Indirect subsidiary |
|                    | Hon Chuan Malaysia  | Malaysia      | Manufacture and sale of plastic caps and PET bottles                     | 856,700<br>(US\$ 26,099)    | 856,700<br>(US\$ 26,099)    | 81,259,900              | 100   | 659,060<br>(US\$ 20,078)    | 46,720<br>(US\$ 1,472)            | (Note 1)                         | Indirect subsidiary |
|                    | Hon Chuan Myanmar   | Myanmar       | Manufacture and sale of plastic caps and PET bottles                     | 275,730<br>(US\$ 8,400)     | 137,865<br>(US\$ 4,200)     | 89,720,368              | 70    | 181,686<br>(US\$ 5,535)     | (5,745)<br>(US\$ 181)             | (Note 1)                         | Indirect subsidiary |
|                    | Samoa Honly         | Samoa         | Overseas reinvested holding company and international trade              | 230,432<br>(US\$ 7,020)     | -                           | 7,020,000               | 60    | 208,701<br>(US\$ 6,358)     | (32,374)<br>(US\$ 1,020)          | (Note 1)                         | Indirect subsidiary |
|                    | Honly               | Cambodia      | Overseas reinvested holding company and international trade              | 28,952<br>(US\$ 882)        | -                           | 490                     | 49    | 28,295<br>(US\$ 862)        | (1,397)<br>(US\$ 44)              | (Note 1)                         | Indirect subsidiary |
| Hon Chuan Thailand | Hon Fu Thailand     | Thailand      | Manufacture and sale of plastic caps, labels, pp bottles and PET bottles | 115,845<br>(THB 126,662)    | 115,845<br>(THB 126,662)    | 12,666,225              | 65    | 250,224<br>(THB 273,589)    | 20,855<br>(THB 22,365)            | (Note 1)                         | Indirect subsidiary |
| Samoa Honly        | Cambodia Honly      | Cambodia      | Beverage packaging service   | 196,950<br>(US\$ 6,000)     | -                           | 6,000,000               | 100   | 163,009<br>(US\$ 4,966)     | (30,914)<br>(US\$ 974)            | (Note 1)                         | Indirect subsidiary |

Note 1: Not applicable.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.

Note 3: Information on investments in mainland China, please see Table 9.

Note 4: Significant intercompany accounts and transactions have been eliminated.

## TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of Dollars, Unless Otherwise Specified)

| Investee Company    | Main Businesses and Products  | Paid-in Capital             | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2015 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015 | Net Income (Loss) of the Investee (Note 3) | % Ownership of Direct or Indirect Investment (Note 1) | Investment Gain (Loss) (Notes 3 and 7) | Carrying Amount as of December 31, 2015 (Notes 3 and 7) | Accumulated Repatriation of Investment Income as of December 31, 2015 |
|---------------------|---|-----------------------------|----------------------|---|---------------------|--------|---|--|---|--|---|---|
|                     |   |                             |                      |   | Outward             | Inward |   |  |   |  |   |   |
| Suzhou Hon Chuan    | Manufacture and sale of various plastic caps, labels and aluminum closures                        | \$ 672,584<br>(US\$ 20,490) | (Note 1)             | \$ 493,491<br>(US\$ 15,034)   | \$ -                | \$ -   | \$ 493,491<br>(US\$ 15,034)   | \$ (33,612)                                | 76.84%  | \$ (25,827)                            | \$ 910,768  | \$ -  |
| Qingxin Hon Chuan   | Manufacture and sale of various plastic caps, labels, PET bottles and beverage packaging services | 1,739,725<br>(US\$ 53,000)  | (Note 1)             | 298,904<br>(US\$ 9,106)   | -                   | -      | 298,904<br>(US\$ 9,106)   | (190)                                      | 76.84%  | (146)                                  | 1,445,061   | -   |
| Zhangzhou Hon Chuan | Development, manufacture and sales of beverages   | 1,313,000<br>(US\$ 40,000)  | (Note 1)             | 96,735<br>(US\$ 2,947)  | -                   | -      | 96,735<br>(US\$ 2,947)  | 10,569                                     | 76.84%  | 8,121                                  | 959,069   | -   |
| Suzhou Hongxin      | Manufacture and sale of plastic caps, PET bottles and beverage packaging services                 | 1,509,950<br>(US\$ 46,000)  | (Note 1)             | 734,131<br>(US\$ 22,365)  | -                   | -      | 734,131<br>(US\$ 22,365)  | (158,028)                                  | 76.84%  | (121,429)                              | 922,345   | -   |
| Jinan Hon Chuan     | Manufacture and sale of plastic caps and PET bottles  | 951,925<br>(US\$ 29,000)    | (Note 1)             | 121,617<br>(US\$ 3,705)   | -                   | -      | 121,617<br>(US\$ 3,705)   | 89,377                                     | 76.84%  | 68,677                                 | 971,554   | -   |
| Changsha Hon Chuan  | Manufacture and sale of plastic caps, PET bottles and beverage packaging services                 | 607,263<br>(US\$ 18,500)    | (Note 1)             | 192,584<br>(US\$ 5,867)   | -                   | -      | 192,584<br>(US\$ 5,867)   | 9,553                                      | 76.84%  | 7,341                                  | 849,426   | -   |
| Taiyuan Hon Chuan   | Manufacture and sale of plastic caps, PET bottles and beverage packaging services                 | 1,083,225<br>(US\$ 33,000)  | (Note 1)             | 248,551<br>(US\$ 7,572)   | -                   | -      | 248,551<br>(US\$ 7,572)   | 21,424                                     | 76.84%  | 16,462                                 | 1,243,102   | -   |
| Ningbo Hon Chuan    | Manufacture and sale of packing materials for electronic components and caps for batteries        | 114,888<br>(US\$ 3,500)     | (Note 1)             | 114,888<br>(US\$ 3,500)   | -                   | -      | 114,888<br>(US\$ 3,500)   | 1,206                                      | 100%  | 1,206                                  | 70,968  | -   |
| Chuzhou Hon Chuan   | Manufacture and sale of various plastic caps and PET bottles                                      | 328,250<br>(US\$ 10,000)    | (Note 1)             | -   | -                   | -      | -   | (31,263)                                   | 76.84%  | (24,022)                               | 203,245   | -   |
| Xiantao Hon Chuan   | Manufacture and sale of various plastic caps and PET batteries                                    | 492,375<br>(US\$ 15,000)    | (Note 1)             | -   | -                   | -      | -   | (40,118)                                   | 76.84%  | (30,827)                               | 319,395   | -   |
| Danmao Company      | Manufacture and sale of various plastic caps and PET bottles                                      | 151,650<br>(RMB 30,000)     | (Note 2)             | -   | -                   | -      | -   | (36,903)                                   | 25.61%  | (9,451)                                | 24,972  | -   |
| Quanhe              | Equity investment   | 30,330<br>(RMB 6,000)       | (Note 6)             | -   | -                   | -      | -   | (1,140)                                    | 76.84%  | (876)                                  | 22,437  | -   |
| Anyang Hon Chuan    | Sale of PE/PET packaging food packaging   | 75,825<br>(RMB 15,000)      | (Note 6)             | -   | -                   | -      | -   | (2,845)                                    | 76.84%  | (515)                                  | 56,097  | -   |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2015 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|--|---|
| \$ 2,300,901 (US\$70,096)   | \$7,258,691(US\$221,133)                                     | (Note 4)  |

Note 1: The Corporation invested in China through third parties.

Note 2: The Corporation invested in China through Suzhou Hon Chuan.

Note 3: The Corporation recognized its equity in the investee's net income on the basis of financial statements audited by the CPA member firm of the Corporation's auditors, except those of Ningbo Hon Chuan.

Note 4: The regulation refers to "Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs.

Note 5: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2015.

Note 6: The Corporation invested in China through Suzhou Hongxin. In November 2015, the ownership of Anyang Hon Chuan was increased from 40% to 100%.

Note 7: Significant intercompany accounts and transactions have been eliminated, except those of Danmao Company.