

## 2015 Annual Report

BizLink Holding Inc.



I. The name, title, telephone number, and e-mail address of the spokesperson and deputy spokesperson:

- (I) Spokesperson: Chien-Hua Teng Title: Chief Executive Officer  
Tel: (886)2-8226-1000 Email: felix@bizlinktech.com  
Deputy Spokesperson: Yiau-Chung Tsai Title: Vice President  
Tel: (886)2-8226-1000 Email: sam\_tsai@bizlinktech.com
- (II) Litigation representative in R.O.C.; title; contact telephone and email  
Yin-Shu Kuo Title: Special Assistant to President  
Tel: (886)2-8226-1000 Email: elaine\_kuo@bizlinktech.com

II. Address and telephone number of all operation locations:

(I) Parent company

Name : BIZLINK HOLDING INC.

Address : 4th Floor, Barbour Centre, P.O. Box 613, George Town, Grand Cayman, Cayman Islands, British West Indies

Website : <http://www.bizlinktech.com>

Tel : (886)2-8226-1000

(II) Subsidiaries and manufacturing plants

|   |  |
|---|--|
| Name : BIZLINK TECHNOLOGY INC.  | Address : 47211 Bayside Parkway. Fremont, CA 94538,USA   |
| Website : <a href="http://www.BizLinktech.com">http://www.BizLinktech.com</a> | Tel : (1)510-252-0786  |
| Name : BIZLINK INTERCONNECT TECHNOLOGY (INDIA) PRIVATE (LIMITED)              | Address : No 102, Astra Heights, 8-2-602/41/A, Zehra Nagar, Banjara Hills, Road No. 10, Hyderabad – 500034, India                        |
| Website : <a href="http://www.BizLinktech.com">http://www.BizLinktech.com</a> | Tel : (91)40-40207673  |
| Name : OPTIWORKS, INC.  | Address : 47211 Bayside Parkway. Fremont, CA 94538, USA  |
| Website : <a href="http://www.optiworks.com">http://www.optiworks.com</a>     | Tel : (1) 510-438-4560   |
| Name : OPTIWORKS (SHANGHAI) CO., LTD.   | Address : Room 810-811, Changchun Business Building, No. 953 Qinzhou North Road, CaoHeJing Hi-Tech Park, XuHui District, Shanghai, China |
| Website : <a href="http://www.optiworks.com">http://www.optiworks.com</a>     | Tel : (86)21-64858787  |
| Name : OPTIWORKS (KUNSHAN) CO., LTD.  | Address : No.168, Nanhe Road, Kunshan Economic & Technology Development Zone, Kunshan City, Jiangsu Province                             |
| Website : <a href="http://www.optiworks.com">http://www.optiworks.com</a>     | Tel : (86)512-57630863   |
| Name : BIZLINK (BVI) CORP.  | Address : OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands  |
| Website : <a href="http://www.BizLinktech.com">http://www.BizLinktech.com</a> | Tel : (886)2-8226-1000   |
| Name : HUAZHAN ELECTRONICS (SHENZHEN) CO., LTD.                               | Address: 2F.,P2 Building, No.86 Lingxia Road, Fenghuang Park, Fuyong Town, Baoan District, Shenzhen City                                 |
| Website : <a href="http://www.BizLinktech.com">http://www.BizLinktech.com</a> | Tel : (86)755-27306898   |
| Name : BIZLINK INTERNATIONAL CORP.  | Address : 6F-1, No. 2, Jian 8 <sup>th</sup> Road, ChungHo District, 23511 New Taipei City, Taiwan  |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (886)2-8226-1000   |
| Name : ZELLWOOD INTERNATIONAL CORPORATION                                     | Address : OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands  |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (886)2-8226-1000   |
| Name : BIZCONN INTERNATIONAL CORPORATION                                      | Address : Offshore Chambers, P.O. Box 217, Apia, Samoa   |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (886)2-8226-1000   |
| Name : BIZLINK INTERNATIONAL ELECTRONICS (SHENZHEN) CO., LTD.                 | Address : P1 Building, No.86 Lingxia Road, Fenghuang Park, Fuyong Town, Baoan District, Shenzhen City                                    |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (86)755-33889898   |
| Name : BIZLINK (KUNSHAN) CO., LTD.  | Address: No.168, Nanhe Road, Kunshan Economic & Technology Development Zone, Kunshan City, Jiangsu Province                              |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (86)512-57630888   |
| Name : BIZLINK TECHNOLOGY (S.E.A.) SDN. BHD.                                  | Address : 61-B Jalan Perang, Taman Pelangi 80400 Johor Bahru, Johor  |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (60)7-3328335  |
| Name : ASIA WICK LTD.   | Address : Flat B 19/F Wing Hang Insurance Bldg 11 Wing Kut ST Central HK   |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (886)2-8226-1000   |
| Name : ADEL ENTERPRISES CORPORATION   | Address : OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands  |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (886)2-8226-1000   |
| Name : BIZLINK ELECTRONICS (XIAMEN) CO., LTD.                                 | Address : No.7 Zhongwan Road, Xingbei Industrial Zone, Xinglin Town, Xiamen, Fujian  |

|   |   |
|---|---|
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (86)592-6218051   |
| Name : TONGYING ELECTRONICS (SHENZHEN) LTD.                                   | Address : No. 18 Jiejiabao Road, Shutian Village Shiyan Town, Baoan District, Shenzhen City, Guangdong Province |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (86)755-338609881   |
| Name : BIZLINK TECH, INC.   | Address : 1790 Commerce park DR., Suite #B EL Paso, TX 79912 USA  |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (1)915-8774888  |
| Name : ACCELL CORPORATION   | Address : 47211 Bayside Parkway. Fremont, CA 94538, USA   |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (1)510-438-9288   |
| Name : BIZLINK TECHNOLOGY (IRELAND) LTD.                                      | Address : G.D. House, Tallaght Business Park, Tallaght, Dublin 24, Ireland                                      |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (353)1-4626126  |
| Name : ビズリンク株式会社  | Address : TTD Building 3F Room No. 312. 1-2-18 Mita Minato-ku, Tokyo, Japan 108-0073                            |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (81)3-6435-2918   |
| Name : BIZWIDE LIMITED  | Address : Room B, 19th floor, Wing Hang Insurance Building, 11 Wing Kut Street, Central, Hong Kong              |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (886)2-8226-1000  |
| Name : XIANGYAO ELECTRONICS (SHENZHEN) CO., LTD.                              | Address : No.86 P6 Building, Lingxia Road, Fenghuang Park, Fuyong Town, Baoan District, Shenzhen City           |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (86)755-33889898  |
| Name : BIZCONN INTERNATIONAL CORPORATION                                      | Address : No.86, F02 Building, Lingxia Road, Fenghuang Park, Fuyong Town, Baoan District, Shenzhen City         |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (86)755-33845888  |
| Name : BIZCONN TECHNOLOGY INC.  | Address : 47211 Bayside Parkway. Fremont, CA 94538, USA   |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (1)510-252-0786   |
| Name : BAE BAYSIDE ,LLC   | Address : 47211 Bayside Parkway. Fremont, CA 94538,USA  |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (1)510-252-0786   |
| Name : BOBI ,LLC  | Address : 47211 Bayside Parkway. Fremont, CA 94538,USA  |
| Website : <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> | Tel : (1)510-252-0786   |

III. The name, address, e-mail address, and telephone number of the agency handling share transfers

Name: Fubon Securities, Stock Affair Agency Address: 3F., No.51, Sec. 1, Minsheng E. Rd., Zhongshan Dist., Taipei City 104, Taiwan  
Website: <http://www.gfortune.com.tw> Tel: (886) 2-2562-1658

IV. The name of the certified public accountant who duly audited the annual financial report for last fiscal year, and the name, address and telephone number of the accounting firm:

CPA: Mr. Cheng-Quan Yu and Mr. Chung-Chen Chen Address: 12F., No.156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City 105, Taiwan  
CPA firm: Deloitte & Touche  
Website: <http://www.deloitte.com.tw> Tel: (886)2-2545-9988

V. The name of any exchanges where the company's securities are traded offshore, and the way to access information on said offshore securities:  
N/A.

VI. Company website: <http://www.bizlinktech.com>

VII. Board members:

| Title                | Name                                     | Selected experience     |
|----------------------|--|-------------------------|
| Chairman             | Hwa-Tse Liang (United States of America) | Please refer to page 9. |
| Director             | Inru Kuo (United States of America)      |                         |
| Director             | Chien-Hua Teng (Nationality R.O.C.)      |                         |
| Director             | Huong-Chang Chen (Nationality R.O.C.)    |                         |
| Independent director | Jr-Wen Huang (Nationality R.O.C.)        |                         |
| Independent director | Ming-Chun Chen (Nationality R.O.C.)      |                         |
| Independent director | Chun-Yen Chang (Nationality R.O.C.)      |                         |

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| None.        |   | 107        |

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# **One Message to Shareholders**

Dear Madam / Sir:

The Company hereby reports its operating results for 2015 and a summary of the 2016 business objectives:

## **I. Operating Results for 2015**

The Company's operating revenue and net income both continued to rise in 2015. Total consolidated revenue for the year was US\$ 265,199,000, a growth of 7.39% YoY from the audited figures of 2014 with net profit increasing by 17.6% from 2014's US\$ 20,362,000 to US\$ 23,944,000 in 2015.

## **II. Looking Back at 2015**

2015 was a year of continued vigorous growth in all sectors of BizLink's businesses.

Information Technology (IT) products formed the bulk of revenue in 2015 with Cable Docking (Docking Stations) and Dongles leading the way. Introduced in the second half of 2014, Cable Docking has over the course of the year become a Star not only within the company, but also within the industry. Concurrently, Dongles have become increasingly popular due to the markets' trends towards slimmer devices in laptops, cell phones, and tablets. While Dongles and other smaller signal conversion devices have traditionally been Cash Cows, the methodical adoption of USB TYPE-C technology across the industry has begun to shift them into Stars. BizLink is one of the few certified manufacturers of USB TYPE-C connectors, cables, and assembled devices, and over the past year has established itself as a leading provider of these solutions.

The hottest segment—and the one BizLink is most known for—is the Electric Vehicle (EV) industry. The company began shipping components for EV SUVs while fulfilling growing orders in its other product lines. The EV segment's product mix also expanded with the introduction of harnesses for Energy Storage Devices for household, commercial, and industrial use.

In addition to growth in sales and product lines, BizLink also strengthened its infrastructure and capabilities in its quest to provide global geographic support to its customers. The company takes part in the market trend of shifting production back to North America. In 2015 the new plant in El Paso, Texas became fully operational to expand capabilities within the North American region. Furthermore, the company established new US headquarters in California, in anticipation of continued regional demand. Elsewhere, the company has also expanded production capacity in China; with increased production automation in Shenzhen and Kunshan and plant expansion in Kunshan. In Taiwan, 2015 was another year of expansion with a growing team and offices and a renewed focus on forming a world class R&D team with the necessary facilities and equipment.

Besides an increase in physical capacities, BizLink is also dedicated to optimizing existing production lines through efficiencies in labor, material use, warehousing and quality assurance management, and automation. The implementation of a Manufacturing Execution System (MES) to manage and monitor work-in-process on the factory floor has enabled the tracking and quantification of all manufacturing and procurement information in real time. In addition to better management, this has increased transparency for customers by integrating and connecting all segments of production.

2015 was the scene of persistent uncertainty within capital markets with the Greek debt

crisis, collapse in oil prices, devaluation of the yen, China's stock market volatility, and the shadow cast by the US Federal Reserve's possible interest rates hike. In spite of all this—due to its continued strong performance—BizLink attracted many global long-term institutional investors. Insurance companies and pension funds from the United States, Europe, and Asia became some of the company's largest shareholders, doubling the proportion of foreign ownership and greatly raising the value of the company. The management team thanks all its shareholders for their continued confidence in BizLink.

### **III.2016 Development Goals**

BizLink has established a five-year plan with the stated mission of becoming a globally trusted and preferred partner for all of its customers by 2020. In order to fulfill this goal, BizLink plans to strategically invest in select industries and geographical markets, boosting its R&D, manufacturing, and customer support capabilities. As the first year of the plan, BizLink plans in 2016 to take the following steps to reach its mission:

#### **1. Expanding Production Base**

BizLink's strategy of being in proximity to their customers has proven rewarding over the years. To further this plan, the company intends to provide complete customer support in key geographic regions to better meet customer needs in delivery lead times, tariffs and costs, manufacturing and logistical agility, and customer support. This scope spans from initial product innovation to aftermarket support. In order to attain the necessary agility and responsiveness, all of these functions—from R&D to manufacturing to technical and customer service support— must be physically present in each strategically chosen time zone, able to operate as a coherent unit. As mentioned previously, to meet North American market demand, the company has established and is expanding local production facilities in Texas and Mexico. This year BizLink's intention is to broaden the coverage to include the European and Indian markets.

#### **2. Focus on R&D**

To maintain the company's lead in the innovation cycle, BizLink will be escalating its R&D capabilities by the following means:

- Consolidation of hardware and software engineering into a R&D center in Taipei with more equipment and resources.
- Early adoption of new technologies and concurrent participation in setting industry standards. Comply and collaborate with industry associations and players.
- Expand current high current testing facilities in order to develop clean energy products.
- Expand Product Management Team and establish a top-tier project management system.
- Continued investment in the R&D and applications of Cable Docking.
- Further development of fiber optic technology for server farms and data centers.
- R&D in Type-2 medical wiring.

#### **3. Multi-channel expansion**

BizLink aims to establish new distribution channels and fortify existing ones to broaden its reach and directly target end customers. For IT or consumer electronics products this will be done in the form of an internet platform to gain exposure, attract end-customers, and establish a direct-to-market distribution channel. For products in the medical, photovoltaic, and industrial industries, the company hopes to enter new markets



through strategic alliances with existing customers and developing products in partnerships from the beginning of the innovation cycle.

#### **IV. 2016 Outlook**

“BizLink exists to improve life through innovative high-quality products and service solutions.”

The IMF forecasts a global growth rate of 3.2% in 2016, stagnant in comparison to the previous year and only marginally above the 3% rate that the IMF has previously considered a technical global recession. Historically, BizLink has always had strong growth and is therefore confident that its established relationships with premiere globally recognized brands and a robust product mix in diverse industries will propel the company to further heights. The management team is committed to work hard to excel in the company’s areas of expertise and others for years to come.

BIZLINK HOLDING INC.

Chairman Hwa-Tse Liang

Chief Executive Officer Chien-Hua Teng

Chief Financial Officer Shiou-Lin Chen

## Two Company Overview

### I. Establishment Date and Organization Overview

BizLink Holding Inc. was founded on June 1, 2000, in the Cayman Islands. Subsidiaries include BizLink Technology Inc., OptiWorks Inc. in the USA, BizLink International Corp. in Taiwan, OptiWorks (Shanghai) Co., Ltd., BizLink (Kunshan) Co., Ltd., Xiang Yao Electronics (Shenzhen) Co., Ltd., BizLink Electronics (Xiamen) Co., Ltd., BizLink Technology (Ireland) Ltd., and subsidiaries in the British Virgin Islands: BizLink (BVI) Corp. and ADEL Enterprises Corporation. All of the above subsidiaries are wholly owned.

The business scope of the group comprises the research, development, design, manufacturing, sales, and support of interconnect solutions—components, modules, cables, connectors, and harnesses—in diverse industries. As a tier-one provider, the group serves the information technology (“IT”), data communications, medical equipment, consumer electronics, vehicular, photovoltaic, fiber optics, and industrial equipment industries.

### II. Group Overview

| Year | Milestones  |
|------|---|
| 1996 | -BizLink was founded in Taiwan, registered under the Chinese name “貿聯國際有限公司.”   |
| 1997 | -BizLink Technology was established in the US as the corporate headquarters with a list of established brand names as its first customers, including Dell, Intel, and Gateway.  |
| 1998 | -BizLink Xiamen was established and received certification to the ISO9002 Quality Management Systems.<br>-BizLink Ireland was established in Dublin to serve European customers, such as Siemens.<br>-Acquired Excel Products Inc. and obtained customers such as Compaq, Philips, etc. in response to NAFTA.   |
| 1999 | -BizLink Shenzhen received certification for QS9000 Quality Management Systems and entered the vehicle wiring harness market.<br>-Malaysian office formed, serving Southeast Asian customers such as Flextronics.   |
| 2000 | -BizLink Holding Inc. was established (hereinafter referred to as “the Company”, and “the Group” with its subsidiaries) and registered in the Cayman Islands.<br>-Manufacturing computer connectors, Bizconn Technology was established in the first step of the Group’s vertical integration plan.<br>-OptiWorks US started business operations, followed by OptiWorks Shanghai, and manufactured its first opto-isolator. |
| 2001 | -Bizconn products obtained UL and CSA certification.<br>-Manufacturing industrial rubber, K-Link’s new plant was established in Shenzhen as part of the Group’s vertical integration plan.<br>-New Malaysian plant started operation to expand local services.  |
| 2002 | -Finalized vertical integration by acquiring Tongying Electronics Co., Ltd. and obtaining wire harness technology.<br>-By establishing Hua Zhan Electronics (Shenzhen) Co., Ltd., BizLink entered China’s medical device market.  |
| 2003 | -Shenzhen plant received SONY GP certification.   |

| Year | Milestones   |
|------|--|
|      | <ul style="list-style-type: none"> <li>-Xiamen plant relocated to Asiaworld in Xinglin town.</li> <li>-Established BizLink (Kunshan) Co., Ltd. to serve customers in the East China region.</li> <li>-OptiWorks (Shanghai) received international certification for TL9000, and was recognized by the Science and Technology Commission of Shanghai Municipality as a high technology enterprise.</li> </ul>   |
| 2004 | <ul style="list-style-type: none"> <li>-The cadmium testing capacity of lead in the chemical laboratory of the Shenzhen plant received Microsoft certification.</li> <li>-Xiamen plant passed OHSAS18001 certification.</li> <li>-Bizconn started to supply Microsoft XBOX connectors.</li> <li>-The variable fiber optical attenuators manufactured by OptiWorks Shanghai received China patent No. 651375.</li> </ul>  |
| 2005 | <ul style="list-style-type: none"> <li>-Shenzhen plant received ISO/IEC17025 certification for National Laboratory Accreditation Standards.</li> <li>-Light switch manufactured by OptiWorks Shanghai received China patent No. 719673 and 719836.</li> <li>-BizLink Japan was established, serving Japanese customers such as Sony and NEC.</li> <li>-BizLink group imported Tiptop and ERP systems.</li> </ul>   |
| 2006 | <ul style="list-style-type: none"> <li>-Tongying plant received ISO14001:2004 certification for environmental management systems.</li> <li>-Bizconn obtained patent certification (China, US) for resilient cards that are used in wire connectors.</li> </ul>   |
| 2007 | <ul style="list-style-type: none"> <li>-Shenzhen plant set up a business unit of motor vehicle wiring harnesses.</li> <li>-Tongying plant received QC080000 certification for Hazardous Substance Process Management.</li> <li>-Established Xiang Yao Electronics (Shenzhen) Co., Ltd..</li> <li>-BizLink's eLearning system received a grant from Industrial Development and Promotion of e-Learning Project that launched by Industrial -Development Bureau, Ministry of Economic Affairs, and obtained Class A certification for service quality.</li> </ul>  |
| 2008 | <ul style="list-style-type: none"> <li>-By obtaining ISO13485 certification, the Shenzhen plant was able to further penetrate the international medical device market.</li> <li>-With the successful development of BFR/PVC Free products, the Xiamen plant marked a leading position in environmental products.</li> <li>-Bizconn obtained 8 patents (US &amp; China) for solar energy products.</li> <li>-The successful development of a solar junction device opened up the solar device market for BizLink.</li> <li>-Establishing an India office, Bizconn aimed to enter the local solar energy and medical device market.</li> </ul> |
| 2009 | <ul style="list-style-type: none"> <li>-K-Link plant developed halogen-free materials.</li> <li>-The optical components developed by OptiWorks Shanghai obtained 7 China patents.</li> <li>-Bizconn was recognized as a "China High Technology Enterprise."</li> <li>-BizLink purchased new group headquarters in the US.</li> <li>-Partial product line of OptiWorks Shanghai was transferred to the Kunshan plant's clean room.</li> <li>-Three independent directors were elected in an extraordinary shareholder meeting dated November 12.</li> </ul>   |
| 2010 | <ul style="list-style-type: none"> <li>-Set up an Audit Committee.</li> </ul>  |

| Year | Milestones   |
|------|--|
|      | <ul style="list-style-type: none"> <li>-In the forefront of the development of integrated modules and subsystems by OptiWorks Shanghai, the product line was extended to the mid and downstream of optical communications.</li> <li>-With direction heading toward fine, high pressure, &amp; high temperature, and high fire proof, the Tongying plant has successfully developed a Teflon line.</li> <li>-The Kunshan plant set up a product line of wire harnesses and connectors, and an All-In-One plan is progressing well.</li> <li>-BizLink India was relocated to Hyderabad India.</li> <li>-BizLink Int'l Electronics (Shenzhen) Co., Ltd. imported a Green House Gas GHG system and obtained temperature &amp; humidity test standards.</li> </ul>                                      |
| 2011 | <ul style="list-style-type: none"> <li>-Approved by the Financial Supervisory Commission, Executive Yuan, on January 17 to issue shares under an Initial Public Offering in the Republic of China. Listed on the stock exchange dated April 21.</li> <li>-Formed a Remuneration Committee.</li> <li>-Converted an ERP system, imported SAP, and enhanced integration into the global system.</li> </ul>  |
| 2012 | <ul style="list-style-type: none"> <li>-By obtaining AS9100 certification, the Malaysian plant entered the product line of the aviation industry.</li> <li>-Imported defibrillator cables and anesthesia monitor cables.</li> <li>-Developed a high-frequency audio signal adapter and thin mobile device adapter.</li> <li>-Developed server cables.</li> <li>-BizLink US signed a contract for the purchase of land for a new plant project in New Mexico in September.</li> <li>-Sunbolts is the BizLink's solar energy brand. It was recognized by PHOTON International (September) as the best brand for the second consecutive year.</li> </ul>  |
| 2013 | <ul style="list-style-type: none"> <li>-F-BizLink (3665-TW) was elected to the MSCI global mid-small cap indices.</li> <li>-Obtained certification for a US regulation electric vehicle charging coupler.</li> <li>-Collaborated with the National Taiwan University of Science and Technology to develop a solar energy smart junction box.</li> <li>-Obtained certification for a solar energy connector (1500V).</li> <li>-Supplied cable and wire harnesses for petroleum/gas exploration equipment.</li> <li>-Supplied cable and wire harnesses for sport yacht engines.</li> <li>-Set up a simulation device for Fremont Electro-Magnetic Interference (EMI).</li> <li>-Enabled the Kunshan EMI laboratory.</li> <li>-Set up a high-frequency team for the Taipei R&amp;D center.</li> </ul> |
| 2014 | <ul style="list-style-type: none"> <li>-Completed 4K2K docking station product line development.</li> <li>- At the 2015 Consumer Electronics Show, the UltraAV Mini DisplayPort 1.2 to 2 DisplayPort Multi-Display MST Hub received the innovation award in the computer accessories category.</li> <li>-Establishing a new wire extrusion plant in El Paso, U.S.A.</li> <li>-Phasing in manufacturing execution system (MES) for product traceability.</li> <li>-Expanded capacity of plants in Kunshan, Malaysia, and Mexico.</li> </ul>   |

| Year | Milestones   |
|------|--|
| 2015 | <ul style="list-style-type: none"> <li>-The Shenzhen factory received certification to the AS9100 Quality Management Systems, used in the aerospace industry.</li> <li>-Leading global supplier of USB Type-C products.</li> </ul> |

### **III. Group Structure**

Please see p.105 of the Company's Annual Report.

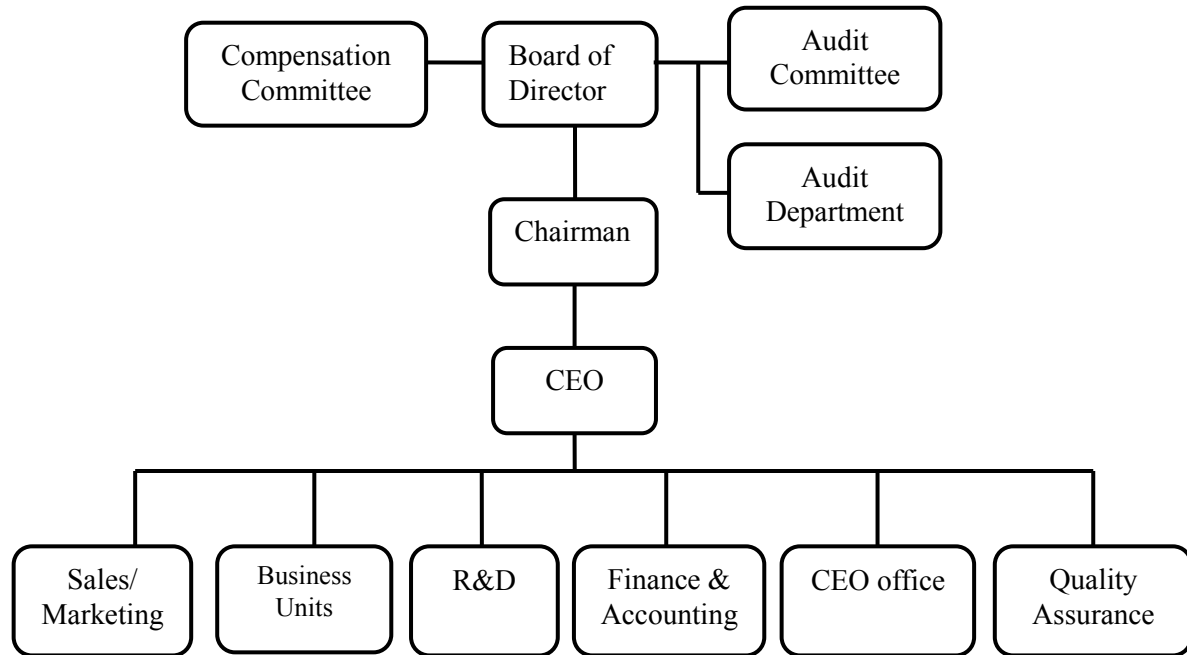
### **IV. Risk Management**

Please see p.97~104 of the Company's Annual Report.

# Three Corporate Governance

## I. Organizational Chart

### (I) Organizational Structure



### (II) Business operations of the respective departments

| Department Name      | Responsibility   |
|----------------------|--|
| Chairman             | Stipulated policy directives and objective guidelines for the Company's operations and assigned managers to execute business operations.   |
| CEO                  | Implemented the resolution of the "board of directors" and company's general administration.   |
| Sales/Marketing      | Responsible for sales, customer service, and marketing. Responsible for the analysis of industry trends, collection of market information, and survey of competitor information. |
| Business Units       | Responsible for product engineering, procurement, and production so as to meet the Company's annual production plan and objectives.  |
| R&D                  | The R&D center is responsible for product development; the Engineering center is responsible for product testing, verification, maintenance, and quality control.                |
| Finance & Accounting | Responsible for treasury management and accounting reporting management.   |
| CEO office           | Functions including information, management of human resources, selection of suppliers, and quotations.  |
| Quality Assurance    | Quality assurance and customer complaint service.  |
| Audit Department     | Responsible for internal auditing.   |

## II. Biographies of Company Directors, Supervisors, President, Vice Presidents, Asst. VPs, and Heads of Departments and Branches

### (I) Biographies of directors and supervisors (the Company did not appoint supervisors)

#### 1. Directors' name, educational background (professional experiences), number and nature of shares held

04.17.2016

| Title    | Nationality | Name          | Elected date | Term of service | Date of first term | Shares held on election day |                | Number of shares held |                | Shares held by spouse and minor children |                | Shares held under name of another |                | Selected experience   | Services concurrently with other companies   | Directors/supervisors, senior executives, who are spouse or 2 <sup>nd</sup> degree of kinship |               |          |
|----------|-------------|---------------|--------------|-----------------|--------------------|-----------------------------|----------------|-----------------------|----------------|--|----------------|-----------------------------------|----------------|---|--|---|---------------|----------|
|          |             |               |              |                 |                    | Shares                      | Shareholding % | Shares                | Shareholding % | Shares                                   | Shareholding % | Shares                            | Shareholding % |   |  | Title   | Name          | Relation |
| Chairman | U.S.A.      | Hwa-Tse Liang | 2015/6/24    | 3 years         | 89/6/1             | 7,303,042                   | 8.39%          | 7,515,917             | 8.14%          | 9,136,894                                | 9.9%           | 138,664                           | 0.15%          | MSEE, Penn State U., NCTU Electronics Engineering<br>CEO, Greatlink USA                                       | BIZLINK TECHNOLOGY INC. Director<br>OPTIWORKS, INC. Director<br>ビズリンク株式会社 Director<br>BIZLINK INT'L CORP. Director/Manager<br>BIZLINK TECHNOLOGY (IRELAND) LTD. Director<br>BIZLINK TECHNOLOGY (S.E.A.) SDN. BHD. Director<br>BIZLINK TECH, INC. Director<br>ACCELL CORPORATION Director<br>BIZCONN TECHNOLOGY INC. Director<br>BIZWIDE LIMITED Director<br>OPTIWORKS(SHANGHAI) CO., LTD. Legal Person/Executive Director<br>OPTIWORKS (KUNSHAN) CO., LTD. Legal Person/Executive Director<br>BIZLINK (KUNSHAN) CO., LTD. Director<br>ASIA WICK LTD. Director  | Director  | Inru Kuo      | Spouse   |
| Director | U.S.A.      | Inru Kuo      | 2015/6/24    | 3 years         | 89/6/1             | 9,736,962                   | 11.18%         | 9,076,804             | 9.83%          | 7,666,007                                | 8.30%          | 0                                 | 0              | MS Actuarial Georgia State<br>Department of Physics National Kaohsiung Normal University<br>VP, Greatlink USA | BIZLINK TECHNOLOGY INC. Director /General Manager<br>OPTIWORKS, INC. Director<br>ビズリンク株式会社 Director<br>BIZLINK (BVI) CORP. Director<br>BIZLINK INT'L CORP. Chairman<br>ZELLWOOD INTERNATIONAL CORPORATION Director<br>BIZLINK TECHNOLOGY (IRELAND) LTD. Director<br>BIZLINK TECH, INC. Director<br>ADEL ENTERPRISES CORPORATION Director<br>ACCELL CORPORATION Director<br>BIZCONN TECHNOLOGY INC. Director<br>OPTIWORKS(SHANGHAI) CO., LTD. Supervisor<br>OPTIWORKS(KUNSHAN) CO., LTD. Supervisor<br>HUA ZHAN ELECTRONICS (SHENZHEN) CO., LTD. Executive Director<br>BIZCONN INTERNATIONAL CORPORATION Director<br>BIZLINK INT'L ELECTRONICS (SHENZHEN)CO., LTD. Legal Person/Executive Director<br>BIZLINK (KUNSHAN) CO., LTD. Legal Person/Executive Director<br>BIZLINK ELECTRONICS (XIAMEN) CO., LTD. Legal Person/Executive Director<br>XIANG YAO ELECTRONICS (SHENZHEN) CO., LET. Legal Person/General Manager/Executive Director<br>BIZCONN INT'L CORP. Legal Person/Executive Director<br>TONGYING ELECTRONICS (SHENZHEN) LTD. Executive Director | Director  | Hwa-Tse Liang | Spouse   |

| Title                | Nationality       | Name             | Elected date | Term of service | Date of first term | Shares held on election day |                | Number of shares held |                | Shares held by spouse and minor children |                | Shares held under name of another |                | Selected experience  | Services concurrently with other companies   | Directors/supervisors, senior executives, who are spouse or 2 <sup>nd</sup> degree of kinship |      |          |
|----------------------|-------------------|------------------|--------------|-----------------|--------------------|-----------------------------|----------------|-----------------------|----------------|--|----------------|-----------------------------------|----------------|--|--|---|------|----------|
|                      |                   |                  |              |                 |                    | Shares                      | Shareholding % | Shares                | Shareholding % | Shares                                   | Shareholding % | Shares                            | Shareholding % |  |  | Title   | Name | Relation |
| Director             | Republic of China | Chien-Hua Teng   | 2015/6/24    | 3years          | 89/6/1             | 1,424,000                   | 1.64%          | 1,389,967             | 1.51%          | 1,185,186                                | 1.28%          | 0                                 | 0              | MBA, San Francisco State U., Institute of Electrical and Control Engineering of NCTU<br>Engineering Manager, Greatlink USA   | ビズリンク株式会社 Director<br>BIZLINK INT'L CORP. Director<br>BIZCONN TECHNOLOGY INC. Director<br>BIZLINK (KUNSHAN) CO., LTD. General Manager<br>HUA ZHAN ELECTRONICS (SHENZHEN) CO., LTD. Legal Person/General Manager<br>BIZLINK ELECTRONICS (XIAMEN) CO., LTD. Supervisor<br>ASIA WICK LTD. Director<br>BIZCONN INT'L (SHENZHEN) CORP. Supervisor | -   | -    | -        |
| Director             | Republic of China | Huong-Chang Chen | 2015/6/24    | 3years          | 101/6/12           | 2,173,347                   | 2.50%          | 2,281,336             | 2.47%          | 0  | 0              | 0                                 | 0              | M.S.E.E from University of Massachusetts<br>Instructor of Department of Electronics Engineering, Nan Kai University of Technology<br>Senior electronics engineer in Universal Microelectronics<br>Supervisor of Jenn Feng New Energy Co., Ltd<br>Supervisor of ACARD Technology Corp.<br>Supervisor of AME, Inc. | JENN FENG NEW ENERGY CO., LTD. Supervisor<br>ACARD Technology Corp. Supervisor<br>AME, Inc. Supervisor   | -   | -    | -        |
| Independent director | Republic of China | Ming-Chun Chen   | 2015/6/24    | 3years          | 98/11/12           | 173,863                     | 0.35%          | 101,967               | 0.11%          | 0  | 0              | 0                                 | 0              | Institute of Management Science of NCTU<br>Aurotek Corporation General Manager<br>Elitegroup Computer Systems Co., Ltd   | YAMAICHI Electronics Chairman<br>Promaster Technology Corporation Independent director<br>Aurotek Corporation Supervisor   | -   | -    | -        |
| Independent director | Republic of China | Chun-Yen Chang   | 2015/6/24    | 3years          | 99/10/29           | 0                           | 0.00%          | 0                     | 0.00%          | 0  | 0              | 0                                 | 0              | Ph.D. in Electrical Engineering, NCTU<br>B.S. in Electrical Engineering, NCTU<br>Senior Researcher of Bell Labs, U.S.A.<br>Dean of Electrical and Computer Engineering Dept. NCTU<br>Visiting Professor in Stuttgart U. Germany<br>Academician of Academia Sinica<br>President of NCTU                           | National Chiao Tung University Lifetime Chair Professor<br>United Microelectronics Corp. UMC Independent director  | -   | -    | -        |



| Title                | Nationality       | Name         | Elected date | Term of service | Date of first term | Shares held on election day |                | Number of shares held |                | Shares held by spouse and minor children |                | Shares held under name of another |                | Selected experience   | Services concurrently with other companies   | Directors/supervisors, senior executives, who are spouse or 2 <sup>nd</sup> degree of kinship |      |          |
|----------------------|-------------------|--------------|--------------|-----------------|--------------------|-----------------------------|----------------|-----------------------|----------------|--|----------------|-----------------------------------|----------------|---|--|---|------|----------|
|                      |                   |              |              |                 |                    | Shares                      | Shareholding % | Shares                | Shareholding % | Shares                                   | Shareholding % | Shares                            | Shareholding % |   |  | Title   | Name | Relation |
| Independent director | Republic of China | Jr-Wen Huang | 2015/6/24    | 3 years         | 101/6/12           | 0                           | 0.00%          | 0                     | 0.00%          | 0  | 0              | 0                                 | 0              | Institute of MS-Finance, Saint Louis University(USA) Investment Dept. Supervisor in Waterland Venture Capital Co., Ltd. Investment & Research Dept in China Development Industrial Bank Sparkle Power Inc.San Jose/Los Angles , USA | Waterland Venture Capital Co., Ltd. Research Manager<br>FSP TECHNOLOGY INC. Supervisor | -   | -    | -        |

Note 1.: In addition to 623,840 shares held by Hua Tse, Liang and 2,184,728 shares held by Inru Kuo, the trust shares included Hwa-Tse Liang and Inru Kuo Family Trust (8,987,097 shares) that was created on April 15,1999, and the Liang Family Irrevocable Trust (4,797,056 shares).

2. Corporate shareholder: None of the directors or independent directors is representative of corporate shareholders.

### 3. Biographies of the director and independent director (professional expertise and independency)

| Qualifications<br><br><br><br><br><br><br><br><br><br>Name | Five or more years of work experience, together with the following professional qualification  |   |   | Is in conformity with independency (Note) |   |   |   |   |   |   |   |   |    | # of companies served concurrently as independent directors of public companies |
|--|--|---|---|---|---|---|---|---|---|---|---|---|----|---|
|  | An instructor or higher up in a department of commerce, law, finance, accounting or other academic department related to corporate business in a public or private college or university | A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for corporate business | Work experience in the field of commerce, law, finance, accounting, or otherwise necessary for corporate business | 1   | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |   |
| Ming-Chun Chen   | -  | -   | V   | V   | V | V | V | V | V | V | V | V | V  | 1   |
| Chun-Yen Chang   | V  | -   | V   | V   | V | V | V | V | V | V | V | V | V  | 1   |
| Jr-Wen Huang   | -  | -   | V   | V   | V | V | V | V | V | V | V | V | V  | 0   |
| Huong-Chang Chen   |  |   | V   | V   | V | V | V | V | V | V | V | V | V  | 0   |
| Hwa-Tse Liang  | -  | -   | V   | -   | - | - | - | V | V | V | - | V | V  | 0   |
| Inru Kuo   | -  | -   | V   | -   | - | - | - | V | V | V | - | V | V  | 0   |
| Chien-Hua Teng   | -  | -   | V   | -   | - | - | - | V | V | V | V | V | V  | 0   |

Note: During the two years before being elected or joining the term office, directors or supervisors shall meet the following terms with "✓" mark.

"V" denotes meeting the conditions specified above

Criterion 1: Not an employee of the Company or its affiliated companies

Criterion 2: Not a director or supervisor of the Company's affiliated companies (unless the person is an independent director of the Company, the Company's parent company or any subsidiary in which the Company holds, directly or indirectly, more than 50 percent of the voting shares)

Criterion 3: Not a shareholder whose total holdings, including that of his/her spouse and minor children, or shares held under others' names reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders

Criterion 4: Not a spouse or relative within second degree by affinity, or within five degrees by consanguinity to any person specified in criteria 1 to 3

Criterion 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders

Criterion 6: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company

Criterion 7: Not an owner, partner, director, supervisor, manager, or spouse of any of the aforementioned, of any sole proprietorship, partnership, company, or institution that provides commercial, legal, financial and accounting services or consultation to the Company or its affiliates. However, members of the Compensation Committee are not covered by this restriction per Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter

Criterion 8: Not a spouse or relative within second degree by affinity to other directors

Criterion 9: Not in contravention of Article 30 of the Company Act

Criterion 10: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Act

(II) Biographies of president and Vice President

| Title                   | Nationality       | Name            | Date of assumption of duty | Shareholding held |                | Shareholding by spouse and minor children |                | Shares held under name of another |                | Selected experience  | Services concurrently with other companies  | Managers who are spouse or 2 <sup>nd</sup> degree of kinship |      |          |
|-------------------------|-------------------|-----------------|----------------------------|-------------------|----------------|---|----------------|-----------------------------------|----------------|--|---|--|------|----------|
|                         |                   |                 |                            | Shares            | Shareholding % | Shares                                    | Shareholding % | Shares                            | Shareholding % |  |   | Title  | Name | Relation |
| Chief Executive Officer | Republic of China | Chien-Hua Teng  | 2000/06/01                 | 1,389,967         | 1.51%          | 1,185,186                                 | 1.28%          | 0                                 | 0              | MBA, San Francisco State U.,<br>Institute of Electrical and Control Engineering of NCTU<br>Engineering Manager, Greatlink USA                | ビズリンク株式会社 Director<br>BIZLINK INT'L CORP. Director<br>BIZCONN TECHNOLOGY INC. Director<br>BIZLINK (KUNSHAN) CO., LTD. General Manager<br>HUA ZHAN ELECTRONICS (SHENZHEN) CO., LTD. Legal Person/General Manager<br>K-LINK PLASTIC (SHENZHEN) CO., LTD. General Manager<br>BIZLINK ELECTRONICS (XIAMEN) CO., LTD. Supervisor<br>ASIA WICK LTD. Director<br>BIZCONN INT'L (SHENZHEN) CORP. Supervisor | -  | -    | -        |
| Vice President          | Republic of China | Yiau-Chung Tsai | 2009/03/16                 | 295               | 0.00%          | 189                                       | 0.00%          | 0                                 | 0              | EAST TEXAS STATE UNIVERSITY COMPUTER SCIENCE DEGREE<br>GM & Senior VP, Elitegroup Computer System  | -   | -  | -    | -        |
| Group CFO               | Republic of China | Shiou-Lin Chen  | 2012/02/01                 | 76,001            | 0.08%          | 0   | 0              | 0                                 | 0              | Institute of Accounting, NTU<br>Vice CFO of Dimerco Express Corporation<br>Associate Financial General Manager, China Synthetic Rubber Corp. | -   | -  | -    | -        |
| Vice President          | Republic of China | Chia-Cheng Lin  | 2010/08/01                 | 0                 | 0%             | 0   | 0              | 0                                 | 0              | College of Management, NCHU<br>Financial Manager of Necvox   | -   | -  | -    | -        |

| Title                           | Nationality | Name     | Date of assumption of duty | Shareholding held |                | Shareholding by spouse and minor children |                | Shares held under name of another |                | Selected experience   | Services concurrently with other companies   | Managers who are spouse or 2 <sup>nd</sup> degree of kinship |                   |   |
|---------------------------------|-------------|----------|----------------------------|-------------------|----------------|---|----------------|-----------------------------------|----------------|---|--|--|-------------------|---|
|                                 |             |          |                            | Shares            | Shareholding % | Shares                                    | Shareholding % | Shares                            | Shareholding % |   |  | Title  | Name              | Relation  |
| General Manager of Subsidiaries | U.S.A.      | Inru Kuo | 2000/06/01                 | 9,076,804         | 9.83%          | 7,666,007                                 | 8.30           | 0                                 | 0              | MS Actuarial Georgia State Director/General Manager<br>Department of Physics<br>National Kaohsiung Normal University<br>VP, Greatlink USA | BIZLINK TECHNOLOGY INC.,<br>OPTIWORKS, INC. Director<br>ビズリンク株式会社 Director<br>BIZLINK (BVI) CORP. Director<br>BizLink International Corp. Chairman<br>ZELLWOOD INTERNATIONAL CORPORATION Director<br>BIZLINK TECHNOLOGY (IRELAND) LTD. Director<br>BIZLINK TECH, INC. Director<br>ADEL ENTERPRISES CORPORATION Director<br>ACCELL CORPORATION Director<br>BIZCONN TECHNOLOGY INC. Director<br>OptiWorks (Shanghai) Co., Ltd. Supervisor<br>OptiWorks (Kunshan) Co., Ltd. Supervisor<br>Hua Zhan Electronics (Shenzhen) Co., Ltd. Executive Director<br>BIZCONN INTERNATIONAL CORPORATION Director<br>BizLink International Electronics (Shenzhen) Co., Ltd. Legal Person / Executive Director<br>BizLink (Kunshan) Co., Ltd. Legal Person/ Executive Director<br>BizLink Electronics (Xiamen) Co., Ltd. Legal Person / Executive Director<br>Xiang Yao Electronics (Shen Zhen) Co., Ltd. Legal Person /General Manager/ Executive Director<br>BizConn (Shenzhen) International Corp. Legal Person / Executive Director<br>Tongying Electronics (Shen Zhen) Ltd. Executive Director | Financial Vice<br>President of<br>Subsidiaries               | Chun-Pin<br>Liang | Relatives<br>within 2nd<br>degree<br>relationship |

Note 1: In addition to 623,840 shares held by Hua-Tse Liang and 2,184,728 shares held by Inru Kuo, the trust shares included the Hwa-Tse Liang and Inru Kuo Family Trust (8,987,097 shares) that was created on April 15,1999, and the Liang Family Irrevocable Trust (4,797,056 shares).

## (III) Compensation to directors and management executives

## 1. Compensation to directors

Unit: NT\$ Thousands

| Title                | Name             | Compensation to directors |  |                        |  |  |  |                                       |  | Percent of A+B+C+D to Net Income |  |   | Relevant compensation received by directors who are also employees |                       |  |  |  |             |  |                             |  |                                |  |   | Percent of A+B+C+D+E+F+G to Net Income |  | Compensation paid to directors from an invested company other than the company's subsidiary |
|----------------------|------------------|---------------------------|--|------------------------|--|--|--|---------------------------------------|--|----------------------------------|--|---|--|-----------------------|--|--|--|-------------|--|-----------------------------|--|--------------------------------|--|---|--|--|---|
|                      |                  | Compensation (A)          |  | Retirement Pension (B) |  | Compensation Paid on Earnings Distribution (C) |  | Expenses for Execution of Business(D) |  |                                  |  | Salaries, Bonus, and Special Expenditures (E) |  | Retirement Pension(F) |  | Employee Bonus in Earnings Distribution(G) |  |             |  | Employee Shares Options (H) |  | Employee restricted shares (I) |  |   |  |  |   |
|                      |                  | The Company               | All companies in the financial statement | The Company            | All companies in the financial statement | The Company                                    | All companies in the financial statement | The Company                           | All companies in the financial statement | The Company                      | All companies in the financial statement | The Company                                   | All companies in the financial statement                           | The Company           | All companies in the financial statement | The Company                                | All companies in the financial statement | The Company | All companies in the financial statement | The Company                 | All companies in the financial statement | The Company                    | All companies in the financial statement |   |  |  |   |
| Chairman             | Hwa-Tse Liang    | 0                         | NT\$8,887                                | 0                      | 0  | 0  | 0  | 0                                     | 0  | 1.17%                            | NA                                       | NT\$25,744                                    | 0  | 0                     | 0  | 0  | 0  | 0           | 0  | 0                           | 0  | NA                             | 4.56%                                    | - |  |  |   |
| Director             | Chien-Hua Teng   |                           |  |                        |  |  |  |                                       |  |                                  |  |   |  |                       |  |  |  |             |  |                             |  |                                |  |   |  |  |   |
| Director             | Inru Kuo         |                           |  |                        |  |  |  |                                       |  |                                  |  |   |  |                       |  |  |  |             |  |                             |  |                                |  |   |  |  |   |
| Director             | Huong-Chang Chen |                           |  |                        |  |  |  |                                       |  |                                  |  |   |  |                       |  |  |  |             |  |                             |  |                                |  |   |  |  |   |
| Independent director | Ming-Chun Chen   |                           |  |                        |  |  |  |                                       |  |                                  |  |   |  |                       |  |  |  |             |  |                             |  |                                |  |   |  |  |   |
| Independent director | Chun-Yen Chang   |                           |  |                        |  |  |  |                                       |  |                                  |  |   |  |                       |  |  |  |             |  |                             |  |                                |  |   |  |  |   |
| Independent director | Jr-Wen Huang     |                           |  |                        |  |  |  |                                       |  |                                  |  |   |  |                       |  |  |  |             |  |                             |  |                                |  |   |  |  |   |

Note 1: 2015 Compensation still not paid to the directors was not resolved at shareholders' meeting.

## Range of Compensation

| Numerical range of Compensation (Directors)            | Name of directors   |   |   |  |
|--|---|---|---|--|
|  | Total of A+B+C+D  |   | Total of A+B+C+D+E+F+G  |  |
|  | The Company   | All companies I in the financial statement  | The Company   | All companies J in the financial statement                           |
| Below \$2,000,000                                      | Hwa-Tse Liang<br>Ming-Chun Chen<br>Chien-Hua Teng<br>Inru Kuo<br>Chun-Yen Chang<br>Huong-Chang Chen<br>Jr-Wen Huang | Hwa-Tse Liang<br>Ming-Chun Chen<br>Chien-Hua Teng<br>Inru Kuo<br>Chun-Yen Chang<br>Huong-Chang Chen<br>Jr-Wen Huang | Ming-Chun Chen<br>Chun-Yen Chang<br>Huong-Chang Chen<br>Jr-Wen Huang<br>Hwa-Tse Liang<br>Chien-Hua Teng<br>Inru Kuo | Ming-Chun Chen<br>Chun-Yen Chang<br>Huong-Chang Chen<br>Jr-Wen Huang |
| \$2,000,000 (included) ~ \$5,000,000 (not included)    | -   | -   | -   | -  |
| \$5,000,000 (included) ~ \$10,000,000 (not included)   | -   | -   | -   | Inru Kuo<br>Hwa-Tse Liang<br>Chien-Hua Teng                          |
| \$10,000,000 (included) ~ \$15,000,000 (not included)  | -   | -   | -   | -  |
| \$15,000,000 (included) ~ \$30,000,000 (not included)  | -   | -   | -   | -  |
| \$30,000,000 (included) ~ \$50,000,000 (not included)  | -   | -   | -   | -  |
| \$50,000,000 (included) ~ \$100,000,000 (not included) | -   | -   | -   | -  |
| More than \$ 100,000,000                               | -   | -   | -   | -  |
| Total  | 7   | 7   | 7   | 7  |

2. Compensation to Supervisors: None.

### 3. Compensation to Presidents and Vice Presidents

#### Compensation to Presidents and Vice Presidents (information provided in numerical range and disclosure of names)

Unit: NT\$ Thousands

| Title                           | Name             | Salaries (A) |  | Retirement Pension (B) |  | Bonus and Special Expenditures..., etc (C) |  | Employee Bonus in Earnings Distribution (D) |                |  |                | Percent of A+B+C+D to Net Income |  | Employee share subscription warrants |  | Employee restricted shares |  | Compensation paid to directors from an invested company other than the company's subsidiary |
|---------------------------------|------------------|--------------|--|------------------------|--|--|--|---|----------------|--|----------------|----------------------------------|--|--------------------------------------|--|----------------------------|--|---|
|                                 |                  | The Company  | All companies in the financial statement | The Company            | All companies in the financial statement | The Company                                | All companies in the financial statement | The Company                                 |                | All companies in the financial statement |                | The Company                      | All companies in the financial statement | The Company                          | All companies in the financial statement | The Company                | All companies in the financial statement |   |
|                                 |                  |              |  |                        |  |  |  | Cash dividend                               | Stock dividend | Cash dividend                            | Stock dividend |                                  |  |                                      |  |                            |  |   |
| Chairman                        | Hwa-Tse Liang    | 0            | NT\$21,130                               | 0                      | 0  | NT\$9,195                                  | NT\$19,364                               | 0   | 0              | 0  | 0              | 1.21%                            | 2.62%                                    | 226,500                              | 226,500                                  | 0                          | 0  | --  |
| Chief Executive Officer         | Chien-Hua Teng   |              |  |                        |  |  |  |   |                |  |                |                                  |  |                                      |  |                            |  |   |
| General Manager of Subsidiaries | Inru Kuo         |              |  |                        |  |  |  |   |                |  |                |                                  |  |                                      |  |                            |  |   |
| Vice President                  | Yiau-Chung, Tsai |              |  |                        |  |  |  |   |                |  |                |                                  |  |                                      |  |                            |  |   |
| CFO                             | Shiou-Lin, Chen  |              |  |                        |  |  |  |   |                |  |                |                                  |  |                                      |  |                            |  |   |
| Vice President                  | Chia-Cheng, Lin  |              |  |                        |  |  |  |   |                |  |                |                                  |  |                                      |  |                            |  |   |

### Range of Compensation

| Range of Compensation (Presidents & Vice Presidents)   | Name of presidents and vice-presidents  |  |
|--|---|--|
|  | The Company   | All companies in the financial statement (E) |
| Below \$2,000,000                                      | Inru Ku<br>Yiau-Chung Tsai<br>Shiou-Lin Chen<br>Chia Cheng Lin<br>Hwa-Tse Liang<br>Chien-Hua Teng | Yiau-Chung Tsai<br>Chia-Cheng Lin            |
| \$2,000,000 (included) ~ \$5,000,000 (not included)    | -   | Shiou-Lin Chen                               |
| \$5,000,000 (included) ~ \$10,000,000 (not included)   | -   | Inru Kuo<br>Chien-Hua Teng<br>Hwa-Tse Liang  |
| \$10,000,000 (included) ~ \$15,000,000 (not included)  | -   |  |
| \$15,000,000 (included) ~ \$30,000,000 (not included)  | -   | -  |
| \$30,000,000 (included) ~ \$50,000,000 (not included)  | -   | -  |
| \$50,000,000 (included) ~ \$100,000,000 (not included) | -   | -  |
| More than \$ 100,000,000                               | -   | -  |
| Total  | 6   | 6  |

4. Name of managers responsible for distribution of employee bonus and distribution status: No employee bonus available.



(IV) Analysis of compensation for directors, independent directors, presidents and Vice Presidents in the most recent two fiscal years and compensation policy for directors, independent directors, presidents and Vice Presidents, along with information related to the policies, standards, and portfolios for the payment of compensation, the procedures for determining compensation, and the correlation with business performance and future risks.

1. The ratio of total compensation paid by the Company and by all companies included in the consolidated financial reports to directors, independent directors, presidents and Vice Presidents of the Company, to the net income.

Unit: In thousand NTD; %

| Item                           | 2014    |        | 2015    |        |
|--------------------------------|---------|--------|---------|--------|
|                                | Amount  | %      | Amount  | %      |
| Directors                      | 8,879   | 1.44   | 8,887   | 1.17   |
| Presidents and Vice Presidents | 37,539  | 6.08   | 25,984  | 3.42   |
| Consolidated net profit        | 616,934 | 100.00 | 759,950 | 100.00 |

Note 1: Shareholders' meeting has not resolved to pay 2015 compensation

2. Policy, standards and combinations, as well as the procedures for deciding compensation and the relations with operation performance and risks.
  - (1) In accordance with clause 34.1 of the Company's Articles of Association, before a special reserve is appropriated subject to regulations of public listings and the competent authority, previous losses shall be offset against net profit and 10% of the remaining profit shall be appropriated as a legal reserve until the accumulated legal reserve is equivalent to the Company's capital; compensation to directors shall not exceed 0%~3% of the remaining profit.
  - (2) In accordance with regulations implemented in May 2015, the Board of Directors amended the Company's Articles of Association in March 2016: remuneration to ex officio employees, Directors, and Management before tax and interest cannot be lower than 1% nor exceed 10% of normal employee remuneration and not exceed 3% of Director and Management remuneration.
  - (3) Compensation to presidents and Vice Presidents is based on position, years of service, performance, and contribution; it has no effect on future risk.

### III. Corporate Governance Practices

#### (I) Board of Directors Operation:

1. 5 meetings were held by the Board of Directors in the current calendar year, with attendance of directors in Board Meetings as follows:

| Title                | Name             | Frequency of actual attendance | Frequency of proxy-attendance | Actual attendance ratio | Note |
|----------------------|------------------|--------------------------------|-------------------------------|-------------------------|------|
| Directors            | Hwa-Tse Liang    | 5                              | 0                             | 100%                    | —    |
| Directors            | Chien-Hua Teng   | 5                              | 0                             | 100%                    | —    |
| Directors            | Inru Kuo         | 5                              | 0                             | 100%                    | —    |
| Directors            | Huong-Chang Chen | 5                              | 0                             | 100%                    | —    |
| Independent director | Ming-Chun Chen   | 5                              | 0                             | 100%                    | —    |
| Independent director | Chun-Yen Chang   | 4                              | 1                             | 80%                     | —    |

|                      |              |   |   |      |   |
|----------------------|--------------|---|---|------|---|
| Independent director | Jr-Wen Huang | 5 | 0 | 100% | — |
|----------------------|--------------|---|---|------|---|

## 2. Other Notes

- (1) In matters specified in Article 14-3 of the Securities and Exchange Act, or Board resolutions where independent directors have expressed opposition or qualified opinions that have been noted in the record or declared in writing, meeting minutes shall record the date and session of the board meeting, the content of the resolution, and the response of the Company regarding the opinion of the Independent Director: None.
- (2) So as to avoid any conflict of interest by directors, meeting minutes shall record the names of directors, the content of any resolution, reasons for avoidance of conflict of interest, and the result of voting: None.
- (3) Assessment of objectives and implementation status in the area of strengthening the powers of the board of directors for the current and immediate past years will be carried out: the Company established an Auditing Committee on February 4, 2010, and the Board of Directors approved the establishment of a compensation Committee on December 15, 2011.

## (II) Audit Committee Operation:

1. 5 meetings were held by the Auditing Committee in the current calendar year, with attendance of independent directors as follows:

| Title                | Name           | Frequency of actual attendance | Frequency of proxy-attendance | Actual attendance ratio | Note |
|----------------------|----------------|--------------------------------|-------------------------------|-------------------------|------|
| Independent director | Ming-Chun Chen | 5                              | 0                             | 100%                    | —    |
| Independent director | Chun-Yen Chang | 4                              | 1                             | 80%                     | —    |
| Independent director | Jr-Wen Huang   | 5                              | 0                             | 100%                    | —    |

## 2. Other Notes

- (1) In matters specified in Article 14-5 of the Securities and Exchange Act, or approved by 2/3 of the Board of Directors but denied by Audit committee, meeting minutes shall record the date and session of the board meeting, the content of the resolution, and the response of the Company regarding the opinion of the Audit Committee: None.
- (2) So as to avoid any conflict of interest by independent directors, meeting minutes shall record the names of the independent directors, the content of the resolution, the reasons for avoidance of conflict of interest, and the result of voting: None.
- (3) Regular discussions on the audit report are conducted by the Company's internal auditor and audit committee, and the internal audit report is made at the meeting of audit committee on a quarterly basis. The independent auditors are also required to immediately communicate to the Audit Committee any material matters that they have discovered. During 2015, the Company's independent auditors did not report any irregularities. The communication channels between the Audit Committee and the Internal Audit manager functioned well. The Company's independent auditors have presented the findings of their quarterly review or audits on the Company's financial results and other matters required by laws and regulations to Audit Committee. The communication channels between the Audit Committee and independent auditors functioned well.

(III) Variations (if any) with the Corporate Governance Practice Principles for TWSE/GTSM Listed Companies and reasons for such discrepancies

1. Implementation of Corporate Governance Practices:

| Item   | Operation |    |   | Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons |
|--|-----------|----|---|--|
|  | Yes       | No | Implementation Status   |  |
| 1. The Company's establishment and disclosure of a Corporate Governance in accordance with "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Company".   | ✓         |    | The Company has established and disclosed principles for Corporate Governance practice in accordance with "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Company".   | None   |
| 2. Shareholding structure and shareholder rights<br>(1) The Company's establishment and implementation of internal operating procedures for matters relating to shareholder suggestion, question, conflict and litigation.<br><br>(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders.<br><br>(3) The Company's establishment and implementation of a risk management mechanism and firewalls between the Company and its affiliates.<br><br>(4) The Company's establishment of internal standards to prevent internal personnel trade based on non-public information. | ✓         |    | (1) The Company has designated a spokesperson, deputy spokesperson, exclusive personnel, and a phone line for investors along with an e-mail box to handle shareholder suggestions or complaints based on "Corporate Governance Practices".<br><br>(2) The Company is able to maintain a list of major shareholders and a list of the end parties in control of these major shareholders to make regular disclosure accordingly. Please see p.46 of the annual report for the list of major shareholders.<br><br>(3) The Company has established a risk management mechanism and firewalls based on internal guidelines on supervision of subsidiaries, providing endorsement and guarantee, financing to others, acquisition and disposition of asset, as well as, other related internal regulations. All business activities with affiliates will be handled as with third-parties to avoid irregular transactions.<br><br>(4) The Company has established "Procedures of Handling Significant Information & Insider Trading policy" to prevent insider trading. | None   |
| 3. Composition and responsibilities of the Board of Directors<br>(1) The Board's establishment and implementation of a guideline for forming a board of diversification.<br><br>(2) The Company's establishment of committees other than remuneration and audit committees required by the law.  | ✓         |    | (1) The Company has adopted various criteria to select ideal board members from the standpoint of overall board performance.<br><br>(2) The Company is planning on establishing "Board nomination and corporate governance committee" to review and evaluate the composition of the board, principles of corporate  | None   |

| Item   | Operation |    |  | Deviations from<br>“Corporate<br>Governance<br>Best-Practice<br>Principles for<br>TWSE/TPEX<br>Listed Companies”<br>and reasons |
|--|-----------|----|--|---|
|  | Yes       | No | Implementation Status  |   |
| <p>(3) The Company's establishment of evaluation procedures and methodology to assess Board performance annually.</p> <p>(4) The Company's regular evaluation of external auditors' independence.</p>  |           |    | <p>governance, as well as provide assistance and suggestions to new board members.</p> <p>(3) The Company is in the process of reviewing the establishment of "Board performance evaluation procedures and methodology".</p> <p>(4) The Company makes regular evaluation of external auditors' independence according to Corporate Governance Practices on the guidance of "Integrity, Objectivity and Independence" under The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10.</p>  |   |
| 4. The Company's establishment of communication channel with shareholders, a related dedicated website on its company site, and due response for issues regarding social responsibility.   | ✓         |    | The Company has set up a dedicated page for “Stakeholder Engagement” on its website under “Investors” that includes contact details for the Company Spokesperson, Deputy Spokesperson, and the Investor Relations Department. Issues regarding social responsibility are published on MOPS and the Company website.  | None  |
| 5. The Company's commission of professional stock affair services to handle matters regarding the shareholders' meeting.   | ✓         |    | Gfortune Stock Agency has been commissioned.   | None  |
| <p>6. Disclosure of information</p> <p>(1) Establishment of a corporate website to disclose information regarding the Company's financials, business, and corporate governance status.</p> <p>(2) Other information disclosure channels.</p> | ✓         |    | <p>(1) Information regarding the financials, business, and corporate governance status is available on the Company's website, (<a href="http://www.bizLinktech.com">http://www.bizLinktech.com</a>). The Company has designated personnel to handle required disclosure on Market Observation Post System and the Company's website.</p> <p>(2) The Company has designated appropriate personnel to handle the collection and disclosure of information. As required by relevant laws and regulations, the company has assigned a spokesperson and deputy spokesperson. In addition, investor conferences are held on a regular and irregular basis and new press containing operation results in Chinese and English are used to enhance the transparency of the Company.</p> | None  |

| Item   | Operation |    |  | Deviations from<br>“Corporate<br>Governance<br>Best-Practice<br>Principles for<br>TWSE/TPEX<br>Listed Companies”<br>and reasons |
|--|-----------|----|--|---|
|  | Yes       | No | Implementation Status  |   |
| 7. Other important information for facilitating better understanding of the Company's corporate governance practices:                        | ✓         |    | <p>(1) Employee Rights: Please see “Labor Relations” under Section Five-Operating Summary on p.77.</p> <p>(2) Investor Relations, Stakeholder Engagement, and Supplier Relations: The Company uses MOPS and its website as channels to inform all parties of its operations. Additionally, the Investor Relations Department was established to better liaison with investors and stakeholders and also serves as Public Relations. A “Stakeholder Engagement” section was added onto the Company website.</p> <p>(3) Status of continued education for directors and supervisors: All Board members and relevant supervisors participated in financial, business, and professional refresher courses. Please see p.24 for more details.</p> <p>(4) Implementation of risk management and risk evaluation: Internal regulations were established in line with regulatory laws, along with the performance of risk management and assessment.</p> <p>(5) Implementation of Customer Service Policy: The Company has Quality Assurance and Customer Support departments to provide transparency and streamline the resolution of service or product issues.</p> <p>(6) Status of the company purchased liability insurance for directors: The Company has purchased D&amp;O Insurance for its directors.</p> | None  |
| 8. Other information regarding the "Corporate Social Responsibility Report" which are verified by certification authority shall be specified | ✓         |    | The Company completed the self-assessment process for Corporate Governance in accordance with the Taiwan Stock Exchange regulations. The evaluation results were released in late April of 2016.   | None  |

## 2. Continuing education of the directors and independent directors

| Title                | Name             | Date of assumption of duty | Date of the first assumption of duty | Training date |            | Organizer                               | Class name   | Training hours | Has continuing education complied with laws and regulations? (Note) |
|----------------------|------------------|----------------------------|--------------------------------------|---------------|------------|---|--|----------------|---|
|                      |                  |                            |                                      | From          | To         |   |  |                |   |
| Director             | Huong-Chang Chen | 2012/06/12                 | 2012/06/12                           | 2016/04/22    | 2016/04/22 | Securities and Futures Institute        | Insider Trading and Corporate Governance                                       | 3              | No  |
|                      |                  |                            |                                      | 2015/09/18    | 2015/09/18 | Securities and Futures Institute        | Corporate Ethical Management and Social Responsibility Forums                  | 3              |   |
|                      |                  |                            |                                      | 2014/08/28    | 2014/08/28 | TWSE/TPEX                               | Corporate Ethical Management and Social Responsibility Forums                  | 3              |   |
| Director             | Chien-Hua Teng   | 2000/06/01                 | 2000/06/01                           | 2016/04/15    | 2016/04/15 | Securities and Futures Institute        | Directors and Supervisors' Legal Risk and Response in Major Corporate Scandals | 3              | Yes   |
|                      |                  |                            |                                      | 2015/05/29    | 2015/05/29 | Securities and Futures Institute        | Directors' Liabilities in Corporate Governance                                 | 3              |   |
|                      |                  |                            |                                      | 2015/05/27    | 2015/05/27 | Securities and Futures Institute        | Listed Companies Ethics Leadership Forum                                       | 3              |   |
|                      |                  |                            |                                      | 2015/05/25    | 2015/05/25 | Securities and Futures Institute        | An Analysis of Directors, Supervisors and Comprehensive Income Tax             | 3              |   |
|                      |                  |                            |                                      | 2014/08/25    | 2014/08/25 | TWSE/TPEX                               | Corporate Ethical Management and Social Responsibility Forums                  | 3              |   |
|                      |                  |                            |                                      | 2013/11/28    | 2013/11/28 | Financial Supervisory Commission        | The 9th Taipei Corporate Governance Forum                                      | 3              |   |
| Independent director | Chun-Yen Chang   | 2010/10/29                 | 2010/10/29                           | 2015/12/16    | 2015/12/16 | Securities and Futures Institute        | Essential Risk Management of Corporate Operations                              | 3              | Yes   |
|                      |                  |                            |                                      | 2015/11/10    | 2015/11/10 | Taiwan Corporate Governance Association | Risk Management and Internal Control   | 3              |   |
|                      |                  |                            |                                      | 2015/03/19    | 2015/03/19 | Taiwan Corporate Governance Association | Corporate Merger and Acquisition and Responsibilities of Directors             | 3              |   |
|                      |                  |                            |                                      | 2014/09/02    | 2014/09/02 | Taiwan Corporate Governance Association | Corporate Governance and Securities Regulation                                 | 3              |   |
|                      |                  |                            |                                      | 2014/06/16    | 2014/06/16 | Taiwan Corporate Governance Association | Strengthen Corporate Ethical Management and Social Responsibility              | 3              |   |
|                      |                  |                            |                                      | 2013/12/18    | 2013/12/18 | Taiwan Corporate Governance Association | Risks of decision making and responsibilities of directors                     | 3              |   |

|                      |                |            |            |            |            |   |   |   |     |
|----------------------|----------------|------------|------------|------------|------------|---|---|---|-----|
|                      |                |            |            | 2012/08/21 | 2012/08/21 | Securities and Futures Institute        | The Financial Statement Analysis After the adoption of IFRS                                     | 3 |     |
| Director             | Hwa-Tse Liang  | 2000/06/01 | 2000/06/01 | 2015/08/27 | 2015/08/27 | Securities and Futures Institute        | Corporate Ethical Management and Social Responsibility Forums                                   | 3 | No  |
|                      |                |            |            | 2014/08/25 | 2014/08/25 | TWSE/TPEX                               | Corporate Ethical Management and Social Responsibility Forums                                   | 3 |     |
| Independent director | Jr-Wen Huang   | 2012/06/12 | 2012/06/12 | 2015/11/02 | 2015/11/02 | Taiwan Corporate Governance Association | Strengthening Corporate Governance: Trade Secret Protection and Fraud Prevention                | 3 | Yes |
|                      |                |            |            | 2015/05/04 | 2015/05/04 | Taiwan Corporate Governance Association | New Development in Taxes  | 3 |     |
|                      |                |            |            | 2015/04/14 | 2015/04/14 | Taiwan Academy of Banking and Finance   | Corporate Governance Forum-Activating the Future Competitiveness for the Corporation : (CSR)    | 3 |     |
|                      |                |            |            | 2014/06/19 | 2014/06/19 | Taiwan Corporate Governance Association | International Financial Reporting Standards (IFRS) financial statement                          | 3 |     |
|                      |                |            |            | 2013/09/23 | 2013/09/23 | Securities and Futures Institute        | Corporate Ethical Management and Social Responsibility Forums                                   | 3 |     |
|                      |                |            |            | 2013/08/08 | 2013/08/08 | Securities and Futures Institute        | Discussion of business operations and related tax systems                                       | 3 |     |
|                      |                |            |            | 2012/06/18 | 2012/06/18 | Securities and Futures Institute        | Development of and opportunities for cross-strait mergers                                       | 3 |     |
| Directors            | Inru Kuo       | 2000/06/01 | 2000/06/01 | 2013/12/24 | 2013/12/24 | Securities and Futures Institute        | Impact of and response to the recent amendment to the Company Act and Security and Exchange Act | 3 | No  |
| Independent director | Ming-Chun Chen | 2009/11/12 | 2009/11/12 | 2013/12/18 | 2013/12/18 | Securities and Futures Institute        | Equity Transfer by Insiders of Listed Companies and Legal Compliance                            | 3 | No  |

Note: Comply with time, scope, system, arrangement and information disclosures stated in “Directions for the implementation of continuing education for directors and supervisors of TWSE Listed and GTSM Listed companies.”

(IV) The composition, responsibilities, and operation of the Compensation Committee:

The Board of Directors approved the establishment of a Compensation Committee on December 15, 2011, and formulated a “Compensation Committee Charter.” The responsibilities of the Compensation Committee are to formulate and discuss on a regular basis the performance of directors, supervisors, and managers, along with the policy, system, standard, and structure of compensation, while evaluating and determining the compensation for directors, supervisors, and managers.

1. Member of Compensation Committee

[illegible]

Note 1: Identity refers to director, independent director, or others.

Note 2: During the two years before being elected or joining the term office, directors or supervisors shall meet the following terms with "✓" mark.

- (1) Is not an employee of the Company; nor an employee of its affiliated enterprises.
- (2) Is not a director, supervisor of the Company nor an employee of its affiliated enterprises. Provided that this shall not apply where the director/supervisor is an independent director of the Company or its parent company, and any company of which over 50% of shares with voting right are held by the Company directly or indirectly.
- (3) Natural shareholders who are not any persons other than the director / supervisor, and the director's / supervisor's spouse or minor children possessing more than 1% of the Company's total issued shares, or natural shareholders who possess more than 1% of the Company's total issued shares in the name of another person, or top ten natural shareholders.
- (4) Other than spouses, relatives within 2nd degree relationship or lineal relatives within 3rd degree relationship of the personnel referred to in the preceding three subparagraphs.
- (5) Is not a director, supervisor, or employee of a juridical individual shareholder who directly owns more than 5% of the Company's outstanding shares; nor a director, supervisor or employee of a top five juridical individual shareholder who is an owner of Company issued shares.
- (6) Is not a director, supervisor, or officer of a company which has a business relationship with the Company; nor a shareholder who owns more than 5% of such a company.
- (7) Is not a professional individual, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the company, or a spouse thereof.



(8) Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.

Note 3: If the member is a director, please specify conformity with Article 6.5 of "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company whose Stock is listed on the Stock Exchange or traded Over the Counter."

## 2. Compensation Committee meeting status

- (1) The Company has 3 members in the Compensation Committee.
- (2) Term of office: June 12, 2015 to June 11, 2018. Two meetings were convened in the current calendar year, with the qualification and attendance of members as follows:

| Title    | Name             | Attendance in person | Frequency of proxy-attendance | Attendance rate in person (%) | Note |
|----------|------------------|----------------------|-------------------------------|-------------------------------|------|
| Convener | Ming-Chun Chen   | 2                    | 0                             | 100%                          |      |
| Auditors | Chin-Teh Hsu     | 2                    | 0                             | 100%                          |      |
| Auditors | Chia-Jiun Cherng | 2                    | 0                             | 100%                          |      |

## 3. Other notes

- (1) If the recommendation of the Compensation Committee is denied by the Board of Directors, meeting minutes shall record the date and session of the board meeting, the content of the resolution, and the response of the Company regarding the opinion of the Compensation Committee: None.
- (2) If any member of the Compensation Committee denied the resolution or expressed opinions put in writing, meeting minutes shall record the date and session of the meeting, the content of the resolution, the members' opinions, and the response regarding the opinion of the members: None.

(V) The implementation of social responsibility

| Item   | Operation |    |   | Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons |
|--|-----------|----|---|--|
|  | Yes       | No | Implementation Status   |  |
| <p>I. Actualizing the promotion of corporate governance policies</p> <p>1. Condition where the Company sets forth corporate social responsibility policies or regulations and examines performance results from the implementation.</p> <p>2. The Company's promotion of corporate social responsibility by holding regular related trainings.</p> <p>3. The Company's establishment of a dedicated Board authorized task force, to promote corporate social responsibility and present relevant reports to the Board.</p> <p>4. The Company's establishment of a sound salary and compensation policy connecting employee performance evaluations to corporate social responsibility and delineating a clear and effective review system.</p> | ✓         |    | <p>1. The Company's establishment of "Corporate Social Responsibility Best Practices" to stipulate employee policy with code of conduct and regulations, ensuring safe and clean environment as well as safekeeping of hazardous materials (regarding energy, production material and waste). The Company will also conduct regular reviews held by the task force and associated departments.</p> <p>2. The Company has designated instructors and arranged routine trainings on corporate social responsibility.</p> <p>3. The HR department is in charge of promoting corporate social responsibility for planning and carrying out the related strategies, projects and cross-departmental communications.</p> <p>4. The Company has established a sound salary and compensation policy connecting employee performance evaluations to corporate social responsibility. Employees will be rewarded when participating in community activities or benefiting others significantly.</p> | None   |
| <p>II. Develop sustainable environments</p> <p>1. Condition where the Company is devoted to enhancing the effective use of all resources and making use of recycled materials that pose the least impact to the environment.</p> <p>2. Condition facilitating the Company establishment of an appropriate environment management system compliant with industry characteristics</p>  | ✓         |    | <p>1. The Company has established effective waste management procedures that separate waste into three types in accordance with their nature and entrusted certified waste management services for disposition and recycling. Environmentally friendly materials are chosen during product development (the Company halted the use of Styrofoam in 2015).</p> <p>2. The Company's product line includes connecting wires, connectors, solar junction boxes, wire harnesses and cables, and optical components. The Company is dedicated to establishing optimal environment management systems to fulfill environmental protection responsibilities by insisting on</p>   | None   |

| Item   | Operation |    |   | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|--|-----------|----|---|--|
|  | Yes       | No | Implementation Status   |  |
| 3. The Company's awareness of impacts from climate change to business activities, implementation of greenhouse gas inventory, stipulation of a strategy for energy conservation, as well as carbon and greenhouse gas reduction. |           |    | <p>pollution prevention and continuous improvement of green product manufacturing while implementing Quality Management Systems to promote social development and enhance operational efficiency.</p> <p>Certifications:</p> <p>(1) ISO 14001:2004 Environment Management System: plants that receive the certificate include Shenzhen plants (Xiang Yao, Bizconn, TongYing), KS BizLink, OptiWorks, BizLink Electronics, and Malaysia plant for implementation measures on energy saving, environment protection, and waste disposition. This builds a foundation for the continuous improvement of procedures to reduce environmental hazards for long term ecological balance.</p> <p>(2) Microsoft certification laboratory: Laboratory Accreditation for OEM (ISO/IEC 17025) and testing laboratory for lead and hazardous materials</p> <p>(3) Environment protection plant: Certifications for EU RoHS (Restriction of Hazardous Substances Directive) and OHSAS 18001 occupational health and Safety environmental plant</p> <p>3. To ensure that the production and manufacturing processes of our halogen free materials conform with the European RoHS Standards an environment evaluation report and sewage discharge permission were obtained before establishing a halogen free material production plant. In addition, industry waste such as the residue of ink solvent from processing wire harnesses, stamping process, and chemical residue from the maintenance of mold and injection molding machines is relatively low, and has been approved by the QC080000 Hazardous Substance Process Management system. The Company takes corporate social responsibility seriously; and strives to conform with environmental protection standards by reducing its' carbon footprint every step</p> |  |

| Item  | Operation |           |   | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons |      |      |                 |           |          |                   |           |           |                |           |           |  |
|---|-----------|-----------|---|--|------|------|-----------------|-----------|----------|-------------------|-----------|-----------|----------------|-----------|-----------|--|
|   | Yes       | No        | Implementation Status   |  |      |      |                 |           |          |                   |           |           |                |           |           |  |
|   |           |           | <p>of the way.</p> <p>Greenhouse gas emission for the past two years:<br/>In compliance with ISO 14064-1.</p> <p style="text-align: right;">Unit: CO2e tons</p> <table> <tr> <th>Year</th> <th>2014</th> <th>2015</th> </tr> <tr> <td>Direct emission</td> <td>12,238.00</td> <td>1,432.38</td> </tr> <tr> <td>Indirect emission</td> <td>73,271.00</td> <td>12,667.88</td> </tr> <tr> <td>Total emission</td> <td>85,611.00</td> <td>14,100.26</td> </tr> </table> <p>*As of 2014 current inventory checks were conducted in the Kunshan, XiangYao, TongYing, and Bizconn plants. The procedure will gradually be deployed to other plants in China.</p> <p>In-house R&amp;D procedures executed in order to reduce energy usage and greenhouse emissions with the goal of reducing water and electricity consumption in the next year by 10%:<br/>(1) Improve the treatment and recycling of hazardous waste: Establishment of &lt;hazardous waste recycling and disposal&gt; management indicators to reduce emissions into the environment with the goal of a waste disposal facility that is able to treat or recycle 100% of the waste<br/>(2) Improving production lines: The upgrade and improved management of production and equipment to minimize material waste<br/>(3) Plant energy saving measures: The TongYing plant introduced potable water systems in 2015, reducing the number of existing water fountains by 66% to achieving energy and water savings</p> | Year   | 2014 | 2015 | Direct emission | 12,238.00 | 1,432.38 | Indirect emission | 73,271.00 | 12,667.88 | Total emission | 85,611.00 | 14,100.26 |  |
| Year  | 2014      | 2015      |   |  |      |      |                 |           |          |                   |           |           |                |           |           |  |
| Direct emission   | 12,238.00 | 1,432.38  |   |  |      |      |                 |           |          |                   |           |           |                |           |           |  |
| Indirect emission   | 73,271.00 | 12,667.88 |   |  |      |      |                 |           |          |                   |           |           |                |           |           |  |
| Total emission  | 85,611.00 | 14,100.26 |   |  |      |      |                 |           |          |                   |           |           |                |           |           |  |
| III. Maintenance of social welfare<br>1. The Company's complies with relevant laws and regulations, and the International Bill of Human Rights to establish related management policies and procedures. | ✓         |           | 1. To conduct due diligence on human rights issues and stipulate related management policies and procedures the Company has conformed with the International Bill of Human Rights; including the U.N. "Universal Declaration of Human Rights" and "Labor Standard from ILO". The Company has also established the "Business and Human Rights: Protect, Respect and Remedy Framework" and  | None   |      |      |                 |           |          |                   |           |           |                |           |           |  |

| Item  | Operation |    |  | Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons |
|---|-----------|----|--|--|
|   | Yes       | No | Implementation Status  |  |
| <p>2. The Company's establishment of due mechanism and channels handling employee complaints.</p> <p>3. The Company's offers a safe and healthy working environment for its employees and provides safety and health education regularly.</p> <p>4. The Company establishment of an internal communication platform to notify employees of any significant operational changes.</p> <p>5. The availability of effective career development plans employees.</p> |           |    | <p>"Guiding Principles" to support this initiative.</p> <p>2. To address this issue, the Company has created "Management Practices for Employee Complaints" located in the employee handbook. In principle, claimants shall appeal via chain of command system. For extraordinary matters, employees are allowed to appeal via channels that he or she finds appropriate.</p> <p>3. The Company aims to provide a secure, healthy and comfortable working environment for the employees. A healthy environment will be achieved by promoting the right mindset, sound bodies and sound minds. In addition to employee health, BizLink conducts safety tests and hygiene education sessions on a regular basis. Regulations and related files regarding worker safety and hygiene are made available for viewing on internal website.</p> <p>4. Diverse channels to communicate with employees and provide business strategy updates:<br/> (1) To facilitate bi-directional communication within managerial layers: all-manager meetings are held every six months.<br/> (2) Each subsidiary maintains a presidential mailbox: employees can send all suggestions directly to the mailbox.<br/> (3) Internal network communication system: the internal network keeps all information for future search and updates timely new release, product information and management policies.</p> <p>5. Personality &amp; aptitude tests will be given to newly-hired college graduates when during the on-boarding process. Guidance regarding career paths will be provided after. A dual promotion system is adopted for existing staff to develop their career in a professional or management field based on personal will and characteristics. Four-month training, including on-job</p> |  |

| Item   | Operation |    |   | Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons |
|--|-----------|----|---|--|
|  | Yes       | No | Implementation Status   |  |
| <p>6. The Company's creation of consumer rights policies and communication channels regarding its processes on R&amp;D, procurement, production, operational processing and service.</p> <p>7. The Compliance of relevant laws, regulations and international guidelines when marketing or labeling its' products.</p> <p>8. The Company's verification of records pertaining to its' suppliers' negative impact on the environment and society.</p> <p>9. The Company's capability to terminate contracts with its suppliers any time the supplier has violated</p> |           |    | <p>education and rotation, will be required for a new manager to strengthen their management capabilities.</p> <p>6. With a core value of integrity and being customer oriented, the Company considers customers to be partners and aims to create mutual benefits for both parties. The Customer Service department is responsible for customer complaints, and conducts an annual satisfaction survey for continuous improvement.</p> <p>7. The Company has established "Corporate Social Responsibility Best Practice Principles" in addition to following the related regulations and international standards regarding the marketing and labeling of its' services and products.</p> <p>8. To encourage supplier corporate social responsibility, suppliers must comply with the "Guarantee for maintaining corporate social responsibility" policy. Before engaging with BizLink, the suppliers must obtain the corresponding environment protection document and ROHS certification. Prior impact on environment and society from the suppliers is evaluated on the below criteria:</p> <ul style="list-style-type: none"> <li>(1) Availability of technology, quality criteria and testing methodology for raw materials</li> <li>(2) Availability of conducting quality system examinations on material vendors</li> <li>(3) Completed records when making orders to qualified vendors</li> <li>(4) Availability of tracking procurement procedures</li> <li>(5) Availability of environment protection labeling on packaging</li> <li>(6) Availability of raw material suppliers' environment protection agreement and social responsibility violation records.</li> </ul> <p>9. The Company has included its corporate social responsibility in supplier contracts. The Company has the right to terminate a contract any time a supplier violates any</p> |  |

| Item   | Operation |    |  | Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons |
|--|-----------|----|--|--|
|  | Yes       | No | Implementation Status  |  |
| such policy or has caused significant negative impact on the environment and society.  |           |    | <p>of the policy stated below or makes significant negative impact to the environment and society. Terms and conditions:</p> <p>(1) Based on "Raw Material Procurement Contract", the Company stipulates environmental protection standards, termination clauses and associated damages with the vendor. These require that the supplier conduct business activities with due consideration of labor health and safety, friendly working environment, legal compliance, code of ethics, EICC qualification and ban on using metal from controversial mining areas.</p> <p>(2) According to suppliers' "Guarantee for maintaining corporate social responsibility", vendors shall not apply materials from controversial mining areas. However, vendors shall comply with all related laws and regulations, as well as related standards covering employee management, health and safety, environment and ethics. Vendors will also understand the Company's right to terminate any transaction when violating corporate social responsibility.</p> |  |
| IV. Reinforce information disclosure<br>The Company's disclosure regarding status of corporate social responsibility on its website and Market Observation Post System.  | ✓         |    | Regular updates on corporate responsibility information will be available on the Company's website ( <a href="http://www.bizlinktech.com/">http://www.bizlinktech.com/</a> ).  | None   |
| <p>V. If the company has established its corporate social responsibility code of practice in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM-Listed Companies" please describe the operational status and differences: None.</p> <p>The Company has long upheld integrity as its core value and integrated corporate social responsibility to its daily business activities and management. The Board approved the "Corporate Social Responsibility Best Practices" policy to facilitate our implementation of the concept and fulfill our promise to society.</p>   |           |    |  |  |
| <p>VI. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibility (e.g., environmental protection, community participation, social contribution, social services, social welfare, consumer rights, human rights, and safety and health):</p> <ol style="list-style-type: none"> <li>1. Employee rights and employee care: Please refer to labor-management relations in the business operation section of the annual report.</li> <li>2. Rights of the shareholders: There is an open communication channel with banks, employees, consumers and suppliers, whose legitimate rights are respected and maintained. In addition, there is a spokesperson, deputy spokesperson, and litigation and non-litigation agent available for the Company. The Company provides shareholders with honest financial and business records to protect the rights of shareholders. The Company's transactions with subsidiaries follow strictly by "Administrative measures governing related party transactions"</li> </ol> |           |    |  |  |

| Item  | Operation |    |                       | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|---|-----------|----|-----------------------|--|
|   | Yes       | No | Implementation Status |  |
| and “Procedures governing the monitoring and management of subsidiaries”.   |           |    |                       |  |
| 3. Environmental protection: In addition to following global design and manufacturing trends, responding to the demands of RoHS, HSF (Hazardous Substances Free) of the Company, and customers so as to ensure that the Company’s products satisfy international standards and customers’ requirements, the Company complies strictly with the Trash Clearance Act, Water Pollution Controls Act and Air Pollution Controls Act to protect environmental quality. |           |    |                       |  |
| 4. Community participation, social contribution, social services and social welfare: donations to social groups, participation in educational, welfare and cultural activities and implementation of corporate social responsibilities.   |           |    |                       |  |
| 5. Consumer rights: Improve the Company’s competitiveness by providing aggressive, efficient, and effective services to meet the satisfaction of existing and potential customers.  |           |    |                       |  |
| 6. Human rights: the Company offers equal opportunity to all genders, religious groups, and political parties, and provides a working environment free of discrimination and harassment.  |           |    |                       |  |
| 7. Occupational safety and health: The Company provides the best safety and health environment so as to comply with the Labor Safety and Health Act (please refer to Labor safety and health code of practice for details).   |           |    |                       |  |
| 8. Public organizations: The Company shares its experiences in public organizations and seminars in hopes of enhancing industry competitiveness and contributing to a better society.   |           |    |                       |  |
| VII. Other information regarding products or the "Corporate Social Responsibility Report" which are verified by certification authority shall be specified: None.   |           |    |                       |  |



(VI) The implementation of integrity management and the responsive measures

| Item   | Operation |    |   | Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|--|-----------|----|---|--|
|  | Yes       | No | Implementation Status   |  |
| <p>I. Establishment of corporate ethical conduct policy and implementation measures</p> <p>1. The Company's guidelines on corporate ethical conduct policy are provided in internal policy and disclosed publicly. The Board of Directors and management team demonstrate their commitment to implement the policies.</p> <p>2. The Company sets forth policies to prevent unethical conduct. The implementation of the relevant procedures, guidelines and training mechanism are provided in the policies.</p> <p>3. The Company's protection measures regarding activities that are at a possible higher risk of unethical conduct or described under Article #7.2 under "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies".</p> | ✓         |    | <p>1. The Company's operations are based on legal compliance and the principles of "integrity, customer-orientation, cooperation and environmental protection." Moreover, the code of conduct was established to ensure employees actions comply with ethical corporate practice. All related operating policies and implementation by the Board and management are disclosed in annual reports with detail explanation.</p> <p>2. The Company requires that directors and managements sign a "Confidentiality Agreement" or other declaration which sets forth the responsibilities of the directors and shareholders, and stipulates "Involvement with significant information and insider dealings" so as to implement honest and upright operations.</p> <p>3. The Company's "Procedures for Handling Material Inside Information" and "Employee Practices" sets forth restrictions on revealing any material insider information by directors, management, and employees to others, along with restrictions on inquiring about or collecting any material insider information that is not related to his/her scope of responsibility, with any material insider information arising from non-implementation of business not being revealed to others. Bribery, corruption, providing illegal political contributions, improper charitable donations or sponsorship, unreasonable gifts, services or other improper benefits are restricted during business operations. Employees, management and directors shall be aware of "Procedures for Handling Material Insider Information" and "Employee Practices" to avoid unethical conduct.</p> | None   |
| <p>II. Carry out corporate conduct and ethical operation</p> <p>1. Conditions where the Company shall prevent doing business with those who have unethical</p>   | ✓         |    | <p>1. Any agreements/contracts signed between the Company and an outside party shall include an ethical operation policy, and the</p>   | None   |

| Item   | Operation |    |  | Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons |
|--|-----------|----|--|--|
|  | Yes       | No | Implementation Status  |  |
| <p>records and include clauses with ethical conduct in the business contract.</p> <p>2. Conditions where the Company sets up full (part) time department to promote the operation of corporate ethical conduct policy and oversee by the Board of Directors.</p> <p>3. Conditions where the Company sets forth policy to prevent conflict of interest and provide appropriate communication channels.</p> <p>4. Conditions where the Company establishes effective accounting system, internal control system and internal auditing for the implementation of ethical conduct.</p> <p>5. Availability of internal and external training programs regarding ethical corporate practice.</p> |           |    | <p>Company may at any time terminate or cancel the agreement/contract should there be unethical conduct by the counterparties.</p> <p>2. The Company and the Board has set-up an "ESG Integrity Management Team" to oversee corporate ethical conduct that reports periodically directly to the Board.</p> <p>3. The Board of Directors has approved the revision of "Corporate Social Responsibility Best Practices" to enhance the transparency of information, improve the functions of the Board of Directors, respect the rights of shareholders, and allow directors and management to take the initiative in explaining, through proper communication channels, if there are any potential conflicts of interest.</p> <p>4. Formulate and implement ethical corporate management best practices for management and employees, and internal control systems for related party transactions and insider transactions; All cooperation parties are required to sign a Letter of Undertaking of Integrity, and no kickbacks, commissions, or unethical conduct are allowed. In addition to regular auditing, any verified and confirmed reporting shall immediately be communicated to the Audit Committee and Board of Directors to ensure the efficiency of the system.</p> <p>5. The Company has stipulated in its "Ethical Corporate Management Best Practice Principles" that it will not allow improper benefits including but not limited to the below: offering or acceptance of bribes, illegal political donations, improper charitable donations or sponsorship and offering or acceptance of unreasonable presents or hospitality. The Company will also provide related regulatory announcements to the staff, managers and board members in order to enhance the understanding of integrity and self-discipline. Starting from 2014 a statement of integrity should be signed by all members in the Company and safe kept by the HR department. During new staff orientation the importance of "integrity", a core value will be emphasized by senior</p> |  |

| Item   | Operation |    |  | Deviations from "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|--|-----------|----|--|--|
|  | Yes       | No | Implementation Status  |  |
|  |           |    | management. To establish a standard for daily work and ethical conduct the Company distributes an employee handbook. All staffs are required to read the chapter titled "Code of Conduct".   |  |
| <p>III. Condition where the Company establishes appropriate punishment and complaint system for reporting of any ethical irregulars.</p> <p>1. The Company's establishment of a complaint and reward system with a convenient reporting functions and dedicated personnel for reported person.</p> <p>2. The Company's establishment of handling procedures and protection mechanisms for reported cases.</p> <p>3. The Company's establishment of measures to protect the whistleblowers from improper treatment.</p> |           |    | <p>1. The Company has made mailboxes available for employees and suppliers to send complaints. These mailboxes are disclosed in the employee handbook and the honest supplier contract. The internal audit department will conduct an investigation after receiving complaints and report the findings to the Company. Disciplinary action will be taken when necessary. Under HR policy, the corporate integrity policies have been linked to employee performance evaluations in an effort to establish a clear, rewarding and disciplinary system.</p> <p>2. The Company has established a handling procedure for non-integrity events. After receiving a complaint, the Company or the group will assign special personnel or a review committee to conduct a private investigation. The handling personnel shall not release the identification of the whistleblower to protect his or her safety. If leaked, action will be taken in the same manner as giving out major company classified information.</p> <p>3. The Company's responsibility to handle the whistle-blowing matters:</p> <p>(1) The whistleblower shall take full responsibility of the reported content to prevent fabrication and exaggeration of facts for malicious reasons. If the investigation findings do not agree with the accusation, the Company may apply the heaviest punishment or take litigation action against the whistleblower.</p> <p>(2) The handling personnel shall take full responsibility for the entire procedures and the result. If any unfair treatment or improper disclosure is found, the Company may apply the heaviest</p> | None   |

| Item  | Operation |    |   | Deviations from “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and reasons |
|---|-----------|----|---|--|
|   | Yes       | No | Implementation Status   |  |
|   |           |    | <p>punishment to the personnel and his or her supervisor, or take litigation for pursuing legal responsibility.</p> <p>(3) If personnel involved in this investigation are found perjuring or misreporting the Company may apply the heaviest punishment or take litigation action against him/her.</p> <p>(4) Retaliation to the whistleblower is not permitted. The Company may apply the heaviest punishment to or take litigation action against the retaliating party.</p> <p>(5) Parties involved who do not object to the verdict of the arbitration but refuse to perform the resulting tasks may to be forcibly removed by the Company or subject to other disciplinary actions.</p> |  |
| IV. Reinforce information disclosure<br>The Company's disclosure on its Ethical Corporate Management Best Practice Principles and information regarding the status of implementation on its website and Market Observation Post System.   | ✓         |    | The company maintains a corporate website ( <a href="http://www.bizlinktech.com">http://www.bizlinktech.com</a> ) where relevant information relating to the Company's financials, business, and corporate governance is updated on a regular basis.  | None   |
| V. If the company has established ethical corporate management best practices Principles for TWSE/GTSM Listed Companies and Ethics Best Practices Principles please describe any discrepancy between the policies and their implementation: None.   |           |    |   |  |
| VI. Other important information to facilitate better understanding of the Company's corporate ethical conduct compliance practice (i.e. Promote and demonstrate the Company's commitment to ethical standard and provide training to its business partners; review the Company's corporate ethical conduct policy.<br>The Company invites its business partners to participate in regular educational training and promotional activities and facilitate their understanding of the Company's commitment, policy, avoidance measures for ethical operations, and the outcome of violations. |           |    |   |  |

(VII) Information shall be provided for any further corporate governance best practices and regulations

The Board of Directors resolved the revision of “Ethical corporate management best practices” on March 13, 2014, with relevant information detailing corporate governance rules, resolutions of the Board of Directors, and material information being available on June 11, 2014, on the Company's website (<http://www.bizLinktech.com>) once approved by the resolution of a shareholders' meeting.

(VIII) Other important information to facilitate better understanding of the company's corporate governance practices.

An investor conference is convened for the disclosure of any material information to maintain the transparency of information. The audit Committee is comprised of three independent directors to carry out best corporate governance practices. Corporate

governance practice updates and rules will be available on the Company's website once approved by the resolution of the shareholders' meeting.

(IX) The following disclosure is required for the practice of Internal Control:

1. Statement of Internal Control

BizLink Holding Inc.

Statement of Internal Control

Date: March 15, 2016

Based on the findings of a self-evaluation, the Company stated the following with regard to its internal control system during the fiscal year 2015:

- I. The Company's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurances concerning the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our reporting, and compliance with applicable laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Procedure Monitoring. Each key component includes various criteria. Please refer to "Regulations" for the criteria.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the Regulations.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2015, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), so as to provide reasonable assurances concerning our operational effectiveness and efficiency, the reliability of reporting, and compliance with applicable laws and regulations.
- VI. This Statement will be an integral part of the Company's Annual Report and Prospectus, and will be made public. Any falsehoods, concealments, or other illegalities in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- VII. This Statement was passed by the Board of Directors in their meeting held on March 15, 2016, with none of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

BizLink Holding Inc.

Chairman: Hwa-Tse Liang

Chief Executive Officer: Chien-Hua Teng

(X) Violation of internal control policy: None

(XI) The major Resolutions of Shareholders' Meeting and Board Meetings of the current calendar year as of the date of this annual report.

1. Major resolutions of shareholders' meeting

| Time   | Major subject   |
|--|---|
| 06.24.2015<br>2015<br>Shareholder<br>meeting | (1) Approved 2014 business report and final accounts.<br>(2) Approved 2014 earnings distribution.<br>(3) Approved the revision of "Procedures for Lending of Company Fund".<br>(4) Approved the revision of "Procedures for Endorsement & Guarantee".<br>(5) Amendment to the "Memorandum and Articles of Association". |

2. Major resolutions in the meeting of Board of Directors

| Time   | Major subject   |
|--|---|
| 03.13.2015<br>2014 First<br>Meeting of<br>Board of<br>Directors  | (1) Approved on Year 2014 Consolidated Financial Statements and Business Reports.<br>(2) Approved on Year 2014 Internal Control Systems Statement.<br>(3) Approved on Year 2014 Compensation Distribution Proposal for Directors.<br>(4) Approved on Year 2014 Performance Bonus Distribution Proposal for Managers.<br>(5) Approved on Year 2014 Earning Distribution Proposal.<br>(6) Approved the Proposal of "Phantom Stock Plan for Selected Employees".<br>(7) Approved on the proposal for "Re-election of Directors".<br>(8) Approved on the Proposal of "Release the Prohibition on Directors from Participation in Competitive Business".<br>(9) Amendment to the Company's Articles of Incorporation.<br>(10) Approved on Year 2015 Annual General Shareholders' Meeting Convening Proposal.<br>(11) Approved on the yearly evaluation of "Independence of the auditing and certifying accountants" and the related appointment".<br>(12) Approved on the Amendment of Endorsements/Guarantees, granted by E. Sun Bank, for subsidiary - "BIZLINK (BVI) CORP" and "BIZLINK INTERNATIONAL CORP".<br>(13) Approved on the Extension of Loaning of Funds between Subsidiaries.<br>(14) Approved on Guarantee for subsidiary - "BIZLINK (BVI) CORP". |
| 05.06.2015<br>2015 Second<br>Meeting of<br>Board of<br>Directors | (1) Approved on Year 2015Q1 Consolidated Financial Statements.<br>(2) Approved on the Nominated candidates for Independent Directors.<br>(3) Approved on the Extension of Loaning of Funds to Subsidiaries.<br>(4) Approved on the issue of souvenir for Year 2015 Shareholders meeting.  |

|   |   |
|---|---|
| 07.03.2015<br>2015 Third<br>Meeting of<br>Board of<br>Directors | <p>(1) Approved on the election of the Board Chairman.</p> <p>(2) Approved on the appointment of Remuneration Committee members.</p> <p>(3) Resolution on the record date for distribution of dividends.</p> <p>(4) Approved on the change in the auditing and certifying accountant, and such change is due to internal adjustments in the accounting office.</p>  |
| 08.14.2015<br>2015 Forth<br>Meeting of<br>Board of<br>Directors | <p>(1) Approved the 2015Q2 (2015/4/1~2015/6/30 &amp; 2015/1/1~2015/6/30) Consolidated Financial statements.</p> <p>(2) Approved extension of Endorsements/Guarantees for making of general credit limit, granted by HSBC Bank (Taiwan) Limited, for subsidiary – “BIZLINK (BVI) CORP”.</p> <p>(3) Approved extension of Endorsements/Guarantees for making of short-term general credit limit, granted by Mega Bank, Tu-Chen Branch for subsidiaries – “BIZLINK (BVI) CORP” and “BizLink International Corp.”.</p> <p>(4) Approved on the Extension of Loaning of Funds to Subsidiaries.</p>  |
| 11.06.2015<br>2015 fifth<br>Meeting of<br>Board of<br>Directors | <p>(1) Approved the 2015Q3 (2015/7/1~2015/9/30 &amp; 2015/1/1~2015/9/30) Consolidated Financial Statements.</p> <p>(2) Approved 2016 Business Plan and Financial Budget.</p> <p>(3) Approved on the “Procedure for the Suspension, Halt or Resumption of Trading in the Company Securities”.</p> <p>(4) Approved 2016 Audit Plan.</p> <p>(5) Approved the 2016H1 Distribution Proposal of “Phantom Stock Plan for Selected Employees”.</p> <p>(6) Approved on the Plan for Improvement of the Capability in Preparation of Consolidation Financial Report.</p> <p>(7) Approved on the 1st Issuance of Unsecured Overseas Convertible Bonds.</p> <p>(8) Approved on the extension of Endorsements/Guarantees for making of general credit limit, granted by China Trust Commercial Bank, for subsidiary – “BIZLINK (BVI) CORP”.</p> <p>(9) Approved on the extension of Endorsements/Guarantees for making of general credit limit, granted by Citibank (Taiwan) commercial bank, for subsidiary – “BIZLINK (BVI) CORP”.</p> <p>(10) Approved on the extension of Endorsements/Guarantees, granted by China Trust Commercial Bank (USA), for subsidiary – “BIZLINK TECHNOLOGY INC.”.</p> <p>(11) Approved on the Extension of Loaning of Funds between Subsidiaries.</p> |



|   |   |
|---|---|
| 03.15.2016<br>2016 First<br>Meeting of<br>Board of<br>Directors   | (1) Approved Amendments to the Company's "Articles of Incorporation".<br>(2) Approved Year 2015 Remuneration Proposal for Directors.<br>(3) Approved Year 2015 Incentive Pay Proposal for Employees.<br>(4) Approved Limitations Proposal for Employee Stock Ownership Plan.<br>(5) Approved Year 2015 Consolidated Financial Statements and Business Reports.<br>(6) Approved Year 2015 Statement on Internal Control.<br>(7) Approved Proposal to Revise the "Procedures for Acquisition or Disposal of Assets."<br>(8) Approved Year 2015 Proposal for Distribution of Profits.<br>(9) Approved Proposal to Convene Year 2016 Annual General Shareholders' Meeting.<br>(10) Approved Validation and Appointment of the Effectiveness and Independence of auditing Certified Public Accountants.<br>(11) Approved Comprehensive Credit-Extension for "BIZLINK (BVI) CORP" and "BIZLINK INTERNATIONAL CORP" guaranteed by "E.SUN COMMERCIAL BANK, LTD."<br>(12) Approved Short-term Comprehensive Credit Extension for "BIZLINK (BVI) COROP" guaranteed by "TAIPEI FUBON COMMERCIAL BANK CO., LTD."<br>(13) Approved Comprehensive Credit Extension between Subsidiaries.<br>(14) Raised Loan Limits between Subsidiaries wholly owned by the Company.<br>(15) Extended Loan Terms between Subsidiaries wholly owned by the Company. |
| 05.12. 2016<br>2016 Second<br>Meeting of<br>Board of<br>Directors | Approved 2016 Q1 Consolidated Financial Statement.  |

3. Review of resolution implementation from the 2015 general shareholders' meeting
- (1) Approved 2014 business report and final accounts.  
Implementation status: Approved
  - (2) Approved 2014 earnings distribution.  
Implementation status: Approved and completed the implementation accordingly.
  - (3) Approved changes made to the Company's Articles of Incorporation:
    - "Procedures for Lending of Company Fund".
    - "Procedures for Endorsements & Guarantees"
Implementation status: approved and completed the implementation accordingly.

(XII) In the recent calendar year and up to the date of the publication of the annual report, if there is a disagreement that was already recorded or announced by statement among board directors or supervisors concerning material decisions approved at a board meeting, along with the major content of those disagreements: None.

(XIII) In the recent calendar year and up to the date of the publication of the annual report, the disclosure of the resignation or dismissal of any directors, managers, accounting managers, finance manager, internal auditing managers, or R& D managers: None.

#### IV. Information on Accountant's Fee

(I) Numerical range of accountant's fee

| Certified Public Accountants | CPA                              | Auditing period      | Note |
|------------------------------|----------------------------------|----------------------|------|
| Deloitte & Touche            | Chung-Chen Chen<br>Cheng-Chun Yu | 2015.1.1 -2015.12.31 | None |

| Range \ Items |                                       | 2015         |                  |       |
|---------------|---------------------------------------|--------------|------------------|-------|
|               |                                       | Auditing fee | Non-auditing fee | Total |
| 1             | Below \$2,000,000                     | -            | -                | -     |
| 2             | \$2,000,000 (included) ~ \$4,000,000  | -            | -                | -     |
| 3             | \$4,000,000 (included) ~ \$6,000,000  | -            | V                | -     |
| 4             | \$6,000,000 (included) ~ \$8,000,000  | -            | -                | -     |
| 5             | \$8,000,000 (included) ~ \$10,000,000 | V            | -                | -     |
| 6             | Above \$10,000,000 (included)         | -            | -                | V     |

## (II) Information on Accountant's Fee

Unit: NT\$ Thousands

| Certified Public Accountants | CPA             | Auditing fee | Non-auditing fee |                       |                |                 |           | Auditing period by CPA | Note                              |
|------------------------------|-----------------|--------------|------------------|-----------------------|----------------|-----------------|-----------|------------------------|-----------------------------------|
|                              |                 |              | System design    | Business registration | Human resource | Others (Note 2) | Sub-total |                        |                                   |
| Deloitte & Touche            | Chung-Chen Chen | 9,800        | 0                | 0                     | 0              | 5,443           | 5,443     | 2015.01.01-2015.12.31  | Opinion to Issuing Corporate Bond |
|                              | Cheng-Chun Yu   |              |                  |                       |                |                 |           |                        |                                   |

Note 1: In the recent calendar year, if there was a change in accountants or the accounting firm, please specify the inspection period, the reasons for the change, and the auditing and non-auditing fees: None.

Note 2: Non-auditing fees shall be recorded in accordance with service types, with detailed information being specified if "others" exceeded 25% of the non-auditing fee: None.

(III) Change in accounting firm and the audit fee is less than the previous year: None.

(IV) A decrease over 15% from the previous year in the audit fee: None

## V. Change of Accountant

Cooperated with the CPA firm in 2015 to change the auditing CPA due to the firm's internal job rotation.

## VI. Declaration of the Company's Chairman, President, or any finance and accounting officers ever holding a position in the accounting firm or its affiliates of the company's CPA

None.

## VII. Declaration of share transfers and pledges by directors, supervisors, and shareholders holding more than 10% of the company shares, in last fiscal year and year to date of the annual report publication

## (I) Shareholding changes for directors, supervisors, managers and major shareholders

Unit: In shares

| Title                | Name                           | 2015                                |                                     | As of April 17 of this year         |                                     |
|----------------------|--------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                      |                                | Increase (Decrease) in shareholding | Increase (Decrease) in share pledge | Increase (Decrease) in shareholding | Increase (Decrease) in share pledge |
| Chairman             | Hwa-Tse Liang (Note 1) (Note2) | 317,875                             | 0                                   | 0                                   | 0                                   |
| Director             | Inru Kuo (Note 1) (Note2)      | (654,158)                           | (1,000,000)                         | 0                                   | 0                                   |
| Director             | Chien-Hua Teng                 | (16,033)                            | 0                                   | 18,000                              | 0                                   |
| Director             | Huong-Chang Chen               | 107,989                             | 116,000                             | 0                                   | 2,281,000                           |
| Independent Director | Ming-Chun Chen                 | (59,896)                            | 0                                   | 0                                   | 0                                   |
| Independent Director | Chun-Yen Chang                 | 0                                   | 0                                   | 0                                   | 0                                   |
| Independent Director | Jr-Wen Huang                   | 0                                   | 0                                   | 0                                   | 0                                   |
| Vice President       | Yiau-Chung Tsai                | (8,871)                             | 0                                   | (6,000)                             | 0                                   |
| Vice President       | Chia-Cheng Lin                 | 0                                   | 0                                   | 0                                   | 0                                   |
| CFO                  | Shiou-Lin Chen                 | 17,284                              | 0                                   | 35,000                              | 0                                   |

Note 1: Including shares of Hwa-Tse Liang and Inru Kuo Family Trust, created April 15, 1999, Liang Family Irrevocable Trust, Inru Kuo Second Annuity Trust

Note2: Shareholding exceeds 10%

(II) Related party transactions for shareholding transfers: None

(III) Related party transactions for shareholding pledges: None

**VIII. Information on the top 10 shareholders who meet the related party disclosure terms**

Declaration of relationships among top 10 shareholders per defined in the Statement of Financial Accounting Standards No. 6, or if spouse or relatives within the 2<sup>nd</sup> degree of kinships to each other

April 17, 2016

| Name  | Personnel stockholding |                | Shareholding by spouse and minor children |                | Shareholding under another's name |                | Name and relationship of a related party or spouse or relatives within second degree of kinship with the top 10 shareholders. |  | Note |
|---|------------------------|----------------|---|----------------|-----------------------------------|----------------|---|--|------|
|   | Shares                 | Shareholding % | Shares                                    | Shareholding % | Shares                            | Shareholding % | Name  | Relation                                 |      |
| Hwa-Tse Liang and InRu Kuo Family Trust               | 8,987,097              | 9.74%          | 0   | 0              | 0                                 | 0              | Hwa-Tse Liang<br>Inru Kuo   | Trustee                                  | Note |
| Liang Family Irrevocable Trust                        | 4,797,056              | 5.20%          | 0   | 0              | 0                                 | 0              | Hwa-Tse Liang<br>Inru Kuo   | Trustee                                  | Note |
| Wellington Trust Multiple Collective Investment Funds | 2,700,963              | 2.93%          | 0   | 0              | 0                                 | 0              | -   | -  |      |
| Huong-Chang Chen                                      | 2,281,336              | 2.47%          | 0   | 0              | 0                                 | 0              | -   | -  |      |
| Inru Kuo  | 2,184,728              | 2.37%          | 683,930                                   | 0.74%          | 0                                 | 0              | Hwa-Tse Liang   | Shareholders are of spousal relationship |      |
| Chun-Pin Liang  | 2,115,682              | 2.29%          | 80,122                                    | 0.09%          | 403,396                           | 0.43%          | Hwa-Tse Liang<br>Inru Kuo   | Relatives within 2nd degree relationship |      |
| RCM Choice Fund - Growth Fund                         | 1,852,699              | 2.01%          | 0   | 0              | 0                                 | 0              | -   | -  |      |
| Fidelity Emerging Markets Fund                        | 1,471,000              | 1.59%          | 0   | 0              | 0                                 | 0              | -   | -  |      |
| RCM Choice Fund - Balanced Fund                       | 1,458,016              | 1.58%          | 0   | 0              | 0                                 | 0              | -   | -  |      |
| Chien-Hua Teng  | 1,389,967              | 1.51%          | 1,185,186                                 | 1.28%          | 0                                 | 0              | Che-Yu Liu  | Shareholders are of spousal relationship |      |

Note: The mutual shareholding of trust is held by Hwa-Tse Liang and Inru Kuo, also including the Hwa-Tse Liang and Inru Kuo Family Trust, created on April 15, 1999, the Liang Family Irrevocable Trust, and the Inru Kuo Second Annuity Trust.

**IX. Declaration of shareholdings and the accumulated holding percentages on investments  
by the company, directors, supervisors, managers, direct, or indirect subsidiaries**

12/31/2015 Unit: shares; %

| Reinvestment business                                      | The Company's investment |                   | Director, supervisor,<br>manager and direct or<br>indirect controlled<br>business that reinvests |                   | Comprehensive investment |                   |
|--|--------------------------|-------------------|--|-------------------|--------------------------|-------------------|
|  | Shares                   | Shareholding<br>% | Shares   | Shareholding<br>% | Shares                   | Shareholding<br>% |
| BIZLINK TECHNOLOGY INC.                                    | 10,000                   | 100%              | 0  | 0%                | 10,000                   | 100%              |
| OPTIWORKS, INC.  | 1,400                    | 100%              | 0  | 0%                | 1,400                    | 100%              |
| 株式会社ビズリンク  | 200                      | 100%              | 0  | 0%                | 200                      | 100%              |
| BIZLINK (BVI) CORP.  | 50,000                   | 100%              | 0  | 0%                | 50,000                   | 100%              |
| BIZLINK INT'L CORP.  | 70,000                   | 100%              | 0  | 0%                | 70,000                   | 100%              |
| ZELLWOOD INTERNATIONAL CORPORATION                         | 2,500,000                | 100%              | 0  | 0%                | 2,500,000                | 100%              |
| BIZLINK TECHNOLOGY (IRELAND) LTD.                          | 300,000                  | 100%              | 0  | 0%                | 300,000                  | 100%              |
| BIZLINK TECHNOLOGY (S.E.A.) SDN. BHD.                      | 1,200,000                | 100%              | 0  | 0%                | 1,200,000                | 100%              |
| BIZLINK TECH, INC.<br>(The previous EXCEL PRODUCTS, INC.)  | 60,000                   | 100%              | 0  | 0%                | 60,000                   | 100%              |
| ADEL ENTERPRISES CORPORATION                               | 1,650,000                | 100%              | 0  | 0%                | 1,650,000                | 100%              |
| ACCELL CORPORATION   | 10,000                   | 100%              | 0  | 0%                | 10,000                   | 100%              |
| BIZCONN TECHNOLOGY INC.                                    | 0                        | 100%              | 0  | 0%                | 0                        | 100%              |
| BIZLINK WIDE LIMITED                                       | 10,000                   | 100%              | 0  | 0%                | 10,000                   | 100%              |
| OPTIWORKS (SHANGHAI) CO., LTD.                             | Note                     | 100%              | 0  | 0%                | Note                     | 100%              |
| OPTIWORKS (KUNSHAN) CO., LTD.                              | Note                     | 100%              | 0  | 0%                | Note                     | 100%              |
| HUA ZHAN ELECTRONICS (SHENZHEN) CO.,<br>LTD.               | Note                     | 100%              | 0  | 0%                | Note                     | 100%              |
| BIZCONN INTERNATIONAL CORPORATION                          | 1,666,667                | 100%              | 0  | 0%                | 1,666,667                | 100%              |
| BIZLINK INTERNATIONAL ELECTRONICS<br>(SHENZHEN) CO., LTD   | Note                     | 100%              | 0  | 0%                | Note                     | 100%              |
| BIZLINK (KUNSHAN) CO., LTD.                                | Note                     | 100%              | 0  | 0%                | Note                     | 100%              |
| BIZLINK INTERCONNECT TECHNOLOGY<br>(INDIA) PRIVATE LIMITED | 100,000                  | 100%              | 0  | 0%                | 100,000                  | 100%              |
| BIZLINK ELECTRONICS (XIAMEN) CO., LTD.                     | Note                     | 100%              | 0  | 0%                | Note                     | 100%              |
| ASIA WICK LTD.   | 1,000                    | 100%              | 0  | 0%                | 1,000                    | 100%              |
| XIANG YAO ELECTRONICS (SHEN ZHEN) CO.,<br>LTD.             | Note                     | 100%              | 0  | 0%                | Note                     | 100%              |
| BIZCONN (SHENZHEN) INTERNATIONAL<br>CORP.                  | Note                     | 100%              | 0  | 0%                | Note                     | 100%              |
| TONGYING ELECTRONICS (SHEN ZHEN) LTD.                      | Note                     | 100%              | 0  | 0%                | Note                     | 100%              |
| BAE BAYSIDE, LLC.  | Note                     | 100%              | 0  | 0%                | Note                     | 100%              |
| BOBI, LLC.   | Note                     | 100%              | 0  | 0%                | Note                     | 100%              |

Note: No shares or par value was issued for a limited company

## Four Capitalization

### I. Capital and Shares

#### (I) Capital

##### 1. Capitalization

Unit: Thousand shares / NTD thousand

| Year<br>month | Issuing<br>price | Registered capital |           | Paid in capital |         | Note   |   | Other  |
|---------------|------------------|--------------------|-----------|-----------------|---------|--|---|--|
|               |                  | Share              | Amount    | Share           | Amount  | Source of capital  | Capital payments made by assets other than cash |  |
| 6/2000        | 0.85             | 20,000             | 117,000   | 15,000          | 12,750  | Original capital: 15,000,000 shares  | None  | -  |
| 5/2002        | 0.2833           | 60,000             | 117,000   | 45,000          | 12,750  | Stock split: 1:3   | None  | -  |
| 7/2002        | 0.2833           | 60,000             | 117,000   | 45,882          | 13,000  | Addition and conversion: 881,614 shares  | None  | -  |
| 10/2003       | 0.2833           | 60,000             | 117,000   | 51,556          | 14,608  | Addition and conversion: 5,674,797 shares  | None  | -  |
| 12/2006       | 0.2833           | 60,000             | 117,000   | 51,028          | 14,458  | Shares buyback: 528,149 shares   | None  | -  |
| 12/2007       | 0.2833           | 60,000             | 117,000   | 49,468          | 14,016  | Shares buyback: 1,560,625 shares   | None  | -  |
| 6/2009        | 0.2833           | 60,000             | 117,000   | 49,668          | 14,072  | New share issued through cash injection: 200,000 shares                                | None  | -  |
| 11/2009       | 10               | 500,000            | 5,000,000 | 49,668          | 496,676 | Capitalization of capital reserve: NT\$ 41,853 thousand                                | None  | Note 1   |
| 8/2010        | 10               | 500,000            | 5,000,000 | 55,628          | 556,278 | Earnings capitalization: NT\$ 59,601 thousand  | None  | Note 1   |
| 9/2010        | 60               | 500,000            | 5,000,000 | 57,628          | 576,278 | New share issued through cash injection: 2,000,000 shares                              | None  | Note 2   |
| 4/2011        | 56               | 500,000            | 5,000,000 | 65,312          | 653,118 | New share issued through cash injection: 7,684,000 shares                              | None  | Note 3   |
| 8/2012        | 10               | 500,000            | 5,000,000 | 66,618          | 666,180 | Capitalization of capital reserve: NT\$ 13,062 thousand                                | None  | 2012.7.24<br>TWSE Series number<br>1010068541  |
| 9/2012        | 26               | 500,000            | 5,000,000 | 73,037          | 730,371 | Capitalization through the conversion of unsecured convertible bonds: 6,419,118 shares | None  | 2012.10.11<br>TWSE Series number<br>1010023062 |
| 12/2012       | 26               | 500,000            | 5,000,000 | 73,391          | 733,909 | Capitalization through the conversion of unsecured convertible bonds: 353,840 shares   | None  | 2013.1.11<br>TWSE Series number<br>1020000761  |

| Year<br>month | Issuing<br>price | Registered capital |           | Paid in capital |         | Note   |   | Other                                       |
|---------------|------------------|--------------------|-----------|-----------------|---------|--|---|---|
|               |                  | Share              | Amount    | Share           | Amount  | Source of capital  | Capital payments made by assets other than cash |   |
| 3/2013        | 26               | 500,000            | 5,000,000 | 75,845          | 758,448 | Capitalization through the conversion of unsecured convertible bonds: 2,453,829 shares         | None  | 2013.4.15<br>TWSE Series number 1020006791  |
| 6/2013        | 26               | 500,000            | 5,000,000 | 77,387          | 773,871 | Capitalization through the conversion of unsecured convertible bonds: 1,542,301 shares         | None  | 2013.7.9 台<br>TWSE Series number 1020013539 |
| 9/2013        | 24.4             | 500,000            | 5,000,000 | 79,320          | 793,202 | Capitalization through the conversion of unsecured convertible bonds: 819,663 shares           | None  | 2013.10.11<br>TWSE Series number 1020021067 |
|               | 47.6             |                    |           |                 |         | Capitalization through the exercise of employee stock options issued in 2010: 1,113,500 shares |   |   |
| 12/2013       | 47.6             | 500,000            | 5,000,000 | 79,797          | 797,967 | Capitalization through the exercise of employee stock options: 476,500 shares                  | None  | 2014.1.9<br>TWSE Series number 1030000630   |
| 3/2014        | 47.6             | 500,000            | 5,000,000 | 79,835          | 798,347 | Capitalization through the exercise of employee stock options: 38,000 shares                   | None  | 2014.4.9<br>TWSE Series number 1030006544   |
| 6/2014        | 47.6             | 500,000            | 5,000,000 | 79,915          | 799,147 | Capitalization through the exercise of employee stock options issued: 80,000 shares            | None  | 2014.7.8<br>TWSE Series number 1030013505   |
| 8/2014        | 10               | 500,000            | 5,000,000 | 83,905          | 839,046 | Capitalization of earnings: NT\$ 39,898 thousand   | None  | 2014.8.8<br>TWSE Series number 10300161361  |
| 9/2014        | 112.2            | 500,000            | 5,000,000 | 86,420          | 864,201 | New share issued through cash injection: 2,500,000 shares                                      | None  | 2014.9.12<br>TWSE Series number 1030018927  |
|               | 43.7             |                    |           |                 |         | Capitalization through the exercise of employee stock options: 15,500 shares                   |   | 2014.10.3<br>TWSE Series number 1030020552  |
| 12/2014       | 43.7             | 500,000            | 5,000,000 | 86,869          | 868,691 | Capitalization through the exercise of employee stock options: 449,000                         | None  | 2015.1.6<br>TWSE Series number 1040000181   |

| Year<br>month | Issuing<br>price | Registered capital |           | Paid in capital |         | Note   |   | Other                                      |
|---------------|------------------|--------------------|-----------|-----------------|---------|--|---|--|
|               |                  | Share              | Amount    | Share           | Amount  | Source of capital  | Capital payments made by assets other than cash |  |
|               |                  |                    |           |                 |         | shares   |   |  |
| 3/2015        | 43.7             | 500,000            | 5,000,000 | 87,010          | 870,101 | Capitalization through the exercise of employee stock options: 141,000 shares        | None  | 2015.4.8<br>TWSE Series number 1040061791  |
| 6/2015        | 43.7             | 500,000            | 5,000,000 | 87,086          | 870,860 | Capitalization through the exercise of employee stock options issued 61,000 shares   | None  | 2015.7.7<br>TWSE Series number 1040013298  |
|               | 134.1            |                    |           |                 |         | Capitalization through the conversion of unsecured convertible bonds: 14,914 shares  |   |  |
| 8/2015        | 10               | 500,000            | 5,000,000 | 91,429          | 914,294 | Earnings capitalization: NT\$ 43,435 thousand  |   | 2015.8.13<br>TWSE Series number 1040016536 |
| 9/2015        | 43.7<br>40.5     | 500,000            | 5,000,000 | 91,783          | 917,826 | Capitalization through the exercise of employee stock options 75,000 shares          | None  | 2015.10.5<br>TWSE Series number 1040020354 |
|               | 134.1            |                    |           |                 |         | Capitalization through the conversion of unsecured convertible bonds: 278,121 shares |   |  |
| 12/2015       | 124.1            | 500,000            | 5,000,000 | 91,819          | 918,192 | Capitalization through the conversion of unsecured convertible bonds: 1,611 share    | None  | 2016.1.6<br>TWSE informed consent          |
|               | 40.5             |                    |           |                 |         | Capitalization through the exercise of employee stock options 35,000 shares          |   |  |
| 3/2016        | 124.1            | 500,000            | 5,000,000 | 92,190          | 921,896 | Capitalization through the conversion of unsecured convertible bonds: 327,951 shares | None  | 2016.4.6<br>TWSE informed consent          |
|               | 40.5             |                    |           |                 |         | Capitalization through the exercise of employee stock options 42,500 shares          |   |  |

Note 1: The par value was changed to NT\$ 10 per share on 11/12/2009 with a total common capital of 49,667,637 shares

Note 2: Par value at NT\$ 10 per share with an issuing value at NT\$ 60 per share.

Note 3: Par value at NT\$ 10 per share with an issuing value at NT\$ 56 per share.



## 2. Share type

3/31/2016

| Share type               | Registered capital        |                  |             | Note  |
|--------------------------|---------------------------|------------------|-------------|---|
|                          | Outstanding shares (Note) | Un-issued shares | Total       |   |
| Registered common stocks | 92,189,625                | 407,810,375      | 500,000,000 | The interim shareholders' meeting held on 11/12/2009 resolved to adopt an exchange rate of NT\$32.32 to US\$ 1 for conversion |

Note: Listed shares

## 3. Information regarding shelf registration: None.

### (II) Shareholder structure

4/17/2016

Unit: one share

| Shareholder structure       | Government agency | Financial Institution | Institutions of the Mainland Area | Other institutional investor | Individual investor | Foreign institutional and individual investor | Total      |
|-----------------------------|-------------------|-----------------------|-----------------------------------|------------------------------|---------------------|---|------------|
| Number of shareholders      | 4                 | 72                    | 0                                 | 62                           | 7,661               | 204   | 8,003      |
| Shareholding (one share)    | 2,362,803         | 9,311,209             | 0                                 | 2,325,260                    | 34,058,885          | 44,257,977                                    | 92,316,134 |
| Shareholding percentage (%) | 2.56              | 10.09                 | 0                                 | 2.52                         | 36.89               | 47.94   | 100.00%    |

Note: A primary exchange listed company shall disclosed its shareholding of Mainland area investors, who are juristic persons, groups, or other institutions of the Mainland Area, or companies invested through a third jurisdiction in accordance with Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in the Taiwan Area.

### (III) Distribution of share ownership

#### 1. Common stocks:

4/17/2016

Unit: one share

| Shareholding distribution | Number of shareholders | Shareholding | Shareholding percentage |
|---------------------------|------------------------|--------------|-------------------------|
| 1 ~ 999                   | 3,413                  | 415,044      | 0.45%                   |
| 1,000 ~ 5,000             | 3,697                  | 6,136,411    | 6.65%                   |
| 5,001 ~ 10,000            | 329                    | 2,522,875    | 2.73%                   |
| 10,001 ~ 15,000           | 122                    | 1,498,763    | 1.62%                   |
| 15,001 ~ 20,000           | 68                     | 1,250,506    | 1.36%                   |
| 20,001 ~ 30,000           | 90                     | 2,312,371    | 2.51%                   |

| Shareholding distribution | Number of shareholders | Shareholding | Shareholding percentage |
|---------------------------|------------------------|--------------|-------------------------|
| 30,001 ~ 50,000           | 67                     | 2,641,204    | 2.86%                   |
| 50,001 ~ 100,000          | 85                     | 6,243,364    | 6.76%                   |
| 100,001 ~ 200,000         | 44                     | 6,302,286    | 6.83%                   |
| 200,001 ~ 400,000         | 46                     | 12,727,896   | 13.79%                  |
| 400,001 ~ 600,000         | 14                     | 6,500,766    | 7.04%                   |
| 600,001 ~ 800,000         | 11                     | 7,443,252    | 8.06%                   |
| 800,001 ~ 1,000,000       | 2                      | 1,752,819    | 1.90%                   |
| Over 1,000,001            | 15                     | 34,568,577   | 37.44%                  |
| Total                     | 8,003                  | 92,316,134   | 100.00%                 |

2. Preferred shares: not applicable.

(IV) Major shareholders: Names, shareholding of shareholders with an ownership of 5 percent or greater, or the names of the top ten shareholders

4/17/2016

Unit: one share

| Shareholding  |  | Shareholding | Shareholding percentage |
|---|--|--------------|-------------------------|
| Major shareholders                                    |  |              |                         |
| Hwa-Tse Liang and InRu Kuo Family Trust               |  | 8,987,097    | 9.74%                   |
| Liang Family Irrevocable Trust                        |  | 4,797,056    | 5.20%                   |
| Wellington Trust Multiple Collective Investment Funds |  | 2,700,963    | 2.93%                   |
| Huong-Chang Chen                                      |  | 2,281,336    | 2.47%                   |
| Inru Kuo  |  | 2,184,728    | 2.37%                   |
| Chun-Pin Liang  |  | 2,115,682    | 2.29%                   |
| RCM Choice Fund - Growth Fund                         |  | 1,852,699    | 2.01%                   |
| Fidelity Emerging Markets Fund                        |  | 1,471,000    | 1.59%                   |
| RCM Choice Fund - Balanced Fund                       |  | 1,458,016    | 1.58%                   |
| Chien-Hua Teng  |  | 1,389,967    | 1.51%                   |

(V) Per share market price, book value, earnings, dividend and other information.

Unit: NT\$ thousands: one thousand shares

| Year |             | 2014   | 2015   | As of 3/31/2016 (Note 8) |
|------|-------------|--------|--------|--------------------------|
| Item | The highest | 194.00 | 194.00 | 171.00                   |
|      | The lowest  | 93.70  | 97.80  | 135.00                   |

|                               |                                       |                        |          |          |
|-------------------------------|---------------------------------------|------------------------|----------|----------|
|                               | Average                               | 135.36                 | 137.55   | 156.12   |
| Per share book value (Note 2) | Before distribution                   | 47.53                  | 47.77    | 51.07    |
|                               | After distribution                    | 42.53                  | (Note 9) | (Note 9) |
| Per share earnings (Note 3)   | Weighted Average Shares               | 84,728                 | 91,573   | 91,956   |
|                               | Per share earnings, before adjustment | 7.28                   | 8.30     | 1.80     |
|                               | Per share earnings, after adjustment  | 6.93                   | (Note 9) | (Note 9) |
| Per share dividend            | Per share cash dividend               | 5.0                    | (Note 9) | (Note 9) |
|                               | Stock dividend                        | From Returned Earnings | 0.5      | (Note 9) |
|                               |                                       | From Capital Surplus   | -        | -        |
|                               | Accumulated unpaid dividend (Note 4)  | -                      | (Note 9) | (Note 9) |
| Investment return analysis    | PE ratio (Note 5)                     | 18.59                  | 16.57    | 86.73    |
|                               | Dividend ratio (Note 6)               | 27.07                  | (Note 9) | (Note 9) |
|                               | Cash dividend yield (Note 7)          | 3.69%                  | (Note 9) | (Note 9) |

Note 1: the highest and lowest market prices per common share for each fiscal year. And calculating the average market price per period based upon the actual transaction prices and volume.

Note 2: Please use the number of the outstanding issued shares at year end as the basis to fill in the earning appropriation from the shareholders' resolution of the following year.

Note 3: In the case of retroactive adjustment due to stock dividends, both before and after adjustment EPS shall be disclosed.

Note 4: If the issuing terms of the security specify unpaid dividends will be accumulated until paid off, cumulated and unpaid dividends for individual year shall be disclosed as of 2013

Note 5: Price-earnings (P/E) ratio = Average Market Price/ Earnings Per Share.

Note 6: Price-dividend (P/D) ratio = Average Market Price/Cash Dividends Per Share.

Note 7: Cash dividend yield: Cash Dividends Per Share/Average Market Price.

Note 8: Per share book value and earnings information shall be included to cover the data from the most recent quarter, and reviewed by a CPA. Information of the rest fields shall be updated as of the most recent fiscal as indicated in the annual report.

Note 9: Per share dividend will be based on the appropriation resolution in 2016 shareholders' meeting, which has not held. Thus the information is not available yet.

## (VI) Dividend policy and execution

### 1. Dividend policy as stipulated in the Company's Articles of Association

As approved at the regular shareholders' meeting on 06/16/2011, the Company has amended Article#34. 1 to allow the earnings appropriation to be proposed by the Board and resolved by the shareholders through ordinary resolution. The Board shall propose the appropriation based on the following guidelines: The Company shall, from the current year's earnings, offset for prior years' deficit and appropriate 10% of the residual earnings as legal reserve until the accumulated legal reserve equal to the Company's capital. Then set aside a special capital reserve, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge. (copy original wordings) Finally, no more than 3% and 5% of the balance can be allotted as Board remuneration and employee bonus (as prescribed in employee motivation plan under Article#11. 1), respectively. The Board shall articulate the appropriation percentage for the Board and employees in the earning distribution meeting. The shareholders have the right to amend the proposal before resolution. Board members who are also a member of the Company executive are qualified for both Board remuneration and employee bonus. The residual earnings, which shall not be less than 10% of the net earnings, can be distributed to shareholders as earning appropriation based on the related laws and regulations for public companies, but after the consideration for the financial and business needs of the Company. The distribution, either in new shares or cash, shall be made up of 10% cash or more.

In line with amendments to the Company's Articles of Association by the Board of Directors in March 2016: remuneration to ex officio employees, Directors, and Management before tax and interest cannot be lower than 1% nor exceed 10% of normal employee remuneration and not exceed 3% of Director and Management remuneration. Estimated employee remuneration for the year ended 2015 totaled 38,086 thousand NTD, while Director and Management remuneration totaled an estimated 8,887 thousand NTD. The ex officio remunerations, before tax and interest, were budgeted at 3.76% and 0.88% respectively. On March 15 2016, the Board of Director's decided that the remuneration shall be paid in cash. In accordance to regulation amendments passed in May 2015, dividends and bonuses can only be distributed to shareholders. Employees are ineligible for distributions. The Company expects to formalize the amendments to the Articles of Association during the 2016 General Shareholders' Meeting to be convened on June 15, during which plans for the above-mentioned distributions will be reported.

If there are substantial changes to the distributed payments that occur after the Board of Directors' approval of the Company's consolidated financial statements, the adjustments have to be made to the original costs. If the consolidated financial statements have already been published, the adjustments will be entered into the following year's accounts.

### 2. 2016 earnings appropriation

- (1) The Board, on 03/15/2016, has resolved an earnings appropriation for 2015 including a cash dividend of US\$15,911,547.15 (or NT\$ 505,005,457) and a stock dividend worth US\$1,446,504.29 (or NT\$45,909,587) to the common shareholders. Per share distribution is US\$ 0.173292 (or NT\$ 5.5) in cash and US\$ 0.015753 (or NT\$0.5) in new shares. The proposal is pending for approval from shareholders' meeting. The shareholders' meeting will be held on 06/15/2016.

- (2) If the total number of outstanding shares is amended due to exercise of employee stock options and conversion of convertible bonds before the record day, the Board shall be authorized by the shareholders' meeting to adjust the distribution ratio according to the updated floating share number as of the record day.

| BIZLINK HOLDING INC.<br>2015 Earnings Distribution   |               |                 |
|--|---------------|-----------------|
| Item   | Amount (US\$) | Amount (NT\$)   |
| Beginning unappropriated earnings  | 28,416,932.12 | 937,184,525.0   |
| Actuarial gains (loss) included in retained earnings   | (23,012.00)   | (730,540.0)     |
| Unappropriated earnings after adjustment   | 28,393,920.12 | 936,453,985.0   |
| Plus: net income   | 23,944,271.00 | 759,950,445.0   |
| Accumulative unappropriated earnings   | 52,338,191.12 | 1,696,404,430.0 |
| Reserve Items  |               |                 |
| Less: legal reserve (10%)  | 2,394,427.10  | 75,995,045.0    |
| Distributable net profit   | 49,943,764.02 | 1,620,409,385.0 |
| Distribution   |               |                 |
| Cash dividend – NT\$5.5 per share  | 15,911,547.15 | 505,005,457.0   |
| Stock dividend - NT\$0. 5 per share  | 1,446,504.29  | 45,909,587.0    |
| Ending unappropriated earnings   | 32,585,712.58 | 1,069,494,341.0 |
| Note: appropriated employee bonus: US\$ -<br>appropriated board remuneration: US\$ 280,000 (or NT\$ 8,878,800)   |               |                 |
| <p>1. The earning appropriation is based on the total outstanding shares as of 12/31/2015 and includes a cash dividend of US\$ 0.173292 (or NT\$ 5.5) in cash and a stock dividend of US\$ 0.015753 (or NT\$0.5) in new share. Upon the approval of the general shareholders meeting, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date and ex-right date, and other relevant issues. If the total number of outstanding shares is amended due to exercise of employee stock options and convertible bonds are executed before the record day, the Board shall be authorized by the shareholders' meeting to adjust the distribution ratio according to the updated floating share number as of the record day.</p> <p>2. The functional currency of the Company is <b>US Dollars (US\$)</b>. The NT\$ chart above was converted according to IAS #21 "The Effects of Changes in Foreign Exchange Rates".</p> |               |                 |

(VII) The upcoming shareholders' meeting will discuss the effect brought by stock dividend to the operation and per share performance.

Unit: NT\$

| Item  |  | Year                                    | 2016 (estimated) |
|---|--|---|------------------|
| Beginning actual paid-in capital (NT\$ thousands) |  |   | 918,191          |
| <b>2016</b><br>earnings<br>distribution           | Per share cash dividend  |   | NT\$5.5 (Note 1) |
|   | Per share stock dividend from earnings recapitalization                        |   | NT\$0.5 (Note 1) |
|   | Per share stock dividend from legal reserve recapitalization                   |   | -                |
| Change of<br>operating<br>performance             | Operating income (NT\$ thousands)  |   | Note 2           |
|   | Percentage change in operating income, compared with last year                 |   |                  |
|   | Net income (NT\$ thousands)  |   |                  |
|   | Percentage change in net income, compared with last year                       |   |                  |
| Assumptions<br>of EPS and<br>PE ratio             | When all stock dividends are distributed in cash                               | EPS assumption (NT\$)                   | Note 2           |
|   |  | Assumption of annualized average return |                  |
|   | If no legal reserve recapitalization   | EPS assumption (NT\$)                   |                  |
|   |  | Assumption of annualized average return |                  |
|   | If stock dividends from legal reserve recapitalization are distributed in cash | EPS assumption (NT\$)                   |                  |
|   |  | Assumption of annualized average return |                  |

Note 1: Estimated dividend distribution in 2015 was based on the Board's appropriation resolution made on 03/15/2016.

Note 2: The Company did not make financial forecast for 2016; therefore, no financial information or assumption for 2016 is required to be disclosed.

(VIII) Remuneration paid to directors and supervisors (the Company has not had supervisors)

1. Range of earnings appropriation to directors and supervisors remuneration in the Company's Articles of Association:

The Company's Articles of Association #34.1, the Company makes earnings distribution according to profit appropriation proposal resolved by the Board and approved by the shareholders. The Board shall propose the appropriation based on the following guidelines: The Company shall, from the current year's earnings, offset for prior years' deficit and appropriate 10% of the residual earnings as legal reserve until the accumulated legal reserve equal to the Company's capital. Then set aside a special capital reserve, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge. Finally, no more than 0% and 3% of the balance can be allotted as Board remuneration and no more than 0% and 5% of the balance can be allotted as employee bonus (as prescribed in employee motivation plan under Article#11.1), respectively. The Board shall articulate the appropriation percentage for the Board and employees in the earning distribution meeting. The shareholders have the right to amend the proposal before resolution. Board members who are also a

member of the Company executive are qualified for both Board remuneration and employee bonus.

2. Handling of the discrepancy between the actual appropriation and the original proposal (including distribution estimate for directors/supervisors, employees and the calculation of outstanding shares)

The Company makes appropriation estimate according to the guidance under the Company's Articles of Association. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences will be recorded in the following year's Profit & Loss as a change in accounting estimate. Moreover, the Company has not had a supervisor.

3. Proposal of employee stock bonus and total employee bonus as a percentage of the net income in consolidated and individual financial statements: not applicable
4. Per share earnings after deduction of the Board's proposal of remuneration paid to directors and supervisors and bonus distributed to employees.  
The Board has adopted a proposal for distribution of 2015 profits. Please refer to the profit distribution below:
  - (1) Distribution of US\$1,200,000 employee bonus.
  - (2) Distribution of US\$ 280,000 as remuneration to the directors.
  - (3) The discrepancy between the actual appropriation and the proposal amount of distributions of employee bonus and remuneration to the directors are US\$ 220,000 and US\$ 0. The difference will be accounted for as a change in accounting estimates, and included in the profit or loss of the following year (2016).
  - (4) Per share earnings after deduction of the proposal of remuneration paid to directors and supervisors and bonus distributed to employees: not applicable
5. Proposal of earning distribution approved by the shareholders' meeting: none
6. Actual appropriations to employee bonus and remuneration to directors and supervisors: 2014 actual earnings distributions as employee bonus and remuneration to directors and supervisors are as follows:

Unit: US\$

|                       | Actual distribution via the approval of the shareholders' meeting | Proposed distribution made by the Board | Difference | Reason of difference |
|-----------------------|---|---|------------|----------------------|
| Distribution          | 0   | 0                                       | 0          | None                 |
| Employee cash bonus   | 0   | 0                                       | 0          | None                 |
| Employee stock bonus  | 0   | 0                                       | 0          | None                 |
| Director remuneration | 280,000   | 280,000                                 | 0          | None                 |

(IX) Share buyback: none

## II. Issuance of Corporate Bonds (Including Overseas Corporate Bonds)

(I) Convertible bonds: the Company's first unsecured foreign convertible bonds have converted to common shares completely.

| Types of corporate bond              | Second domestic unsecured convertible bond   | First Overseas Unsecured Corporate Bonds  |
|--------------------------------------|--|---|
| Issuing Date                         | 7/30/2014  | 2/3/2016  |
| Face value                           | NT\$100,000  | US\$250,000   |
| Issuing and listing                  | Not applicable   | Singapore Exchange  |
| Issuing price                        | Issuing at par   | Issuing at par  |
| Total amount                         | NT\$ 200,000,000   | US\$ 80,000,000   |
| Interest                             | 0.00%  | 0.00%   |
| Tenor and Maturity Date              | Three years, mature on 7/30/2017.  | 5 years, mature on 2/3/2021   |
| Guarantor                            | Not applicable   | Not applicable  |
| Trustee                              | CTBC Securities Co., Ltd.  | The Bank of New York Mellon, London Branch  |
| Underwriter                          | Capital Securities Corp.   | Domestic : MasterLink Securities Corporation<br>Overseas : J.P. Morgan Securities plc   |
| Legal Counsel                        | Jheding Law Office   | Domestic: Jheding Law Office<br>Overseas: Linklaters, Hong Kong 、 Jones Day, Taiwan 、 Maples and Calder, Hong Kong 、 Junhe, Shenzhen  |
| Independent auditors                 | Deloitte & Touche  | Deloitte & Touche   |
| Repayment                            | Unless the bonds have been previously redeemed, repurchased and canceled, or converted, the Company will redeem the bonds on the maturity date at a redemption price equal to 100% of the outstanding principal amount thereof.  | Unless the bonds have been previously redeemed, repurchased and canceled, or converted, the Company will redeem the bonds on the maturity date at a redemption price equal to 100% of the outstanding principal amount thereof.   |
| Unpaid principal amount              | NT\$ 200,000 thousand  | US\$ 80,000 thousand  |
| Early redemption or repayment clause | <p>Certain redemption clauses:</p> <ol style="list-style-type: none"> <li>1. At any time on or after the 30th day of the issuance and prior to 40th day of the issuance, the bonds may be redeemed at the option of the Company, in whole, provided that the closing common share price at Taiwan exchange for 30 consecutive trading days is at least 30% of the conversion price</li> <li>2. At any time on or after the 30th day of the issuance and prior to 40th day of the issuance, the bonds may be redeemed at the option of the Company, in whole, provided that the total outstanding bond balance is no more than NT\$20 million (10% of the issuance).</li> </ol> | <p>The Company is obligated to redeem the bonds under the following circumstances:</p> <ol style="list-style-type: none"> <li>1. If more than 90% in principal amount of the Bonds have been redeemed, repurchased, and cancelled or converted, the issuing Company shall redeem all remaining outstanding debt linked with the Corporate Bonds.</li> <li>2. If the Company has become obliged to pay additional amounts—increases in tax burdens, extra interest charges, or increased costs among others—as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or the Republic of China (or any other jurisdiction in which the</li> </ol> |



|   |  |  |
|---|--|--|
|   |  | Company is then organized or resident for tax purposes). The bond holders may not request the issuing Company the burden of any extra taxes or fees.   |
| Covenant clause   | None   | None   |
| Credit Rating, including name of the agency, rating date and rating result  | Not applicable   | Not applicable   |
| Other Rights of Bondholders   | Amount converted (via exchange or subscription) to common share, GDRs or other securities as of the date of this Annual Report | As 03/31/2016, NT\$ 80,200 thousand (622,597shares) is converted to common share.  |
|   | Issuance and conversion (through swap or subscription)   | Please refer "Issuance and conversion" on page 382 in the prospectus   |
|   |  | Please refer "Issuance and conversion" on page 57~90 in the prospectus   |
| The impact to existing shareholders is a dilution effect on existing shareholders due to share issuance and conversion and rights to exchange or subscribe. | Please refer to p. 82 in the prospectus  | Number of total shares issued through exercise of the conversion of unsecured convertible bonds as a percentage of total outstanding shares is 10.9% which has limited dilution effect to the existing shareholders. |
| Custodian institute   | None   | None   |

## (II) Convertible bonds details

| Types of corporate bonds             |             | Second domestic unsecured convertible bond |        |                 |
|--------------------------------------|-------------|--|--------|-----------------|
| Item                                 | Year        | 2014                                       | 2015   | As of 3/31/2016 |
|                                      |             |  |        |                 |
| Market price of the convertible bond | The highest | 121.40                                     | 143.45 | 136             |
|                                      | The lowest  | 100.75                                     | 101    | 115             |
|                                      | Average     | 109.33                                     | 119.85 | 127.11          |
| Conversion price                     |             | 134.5                                      | 124.1  | 124.1           |
| Issuing date and conversion price    |             | 07/30/2014 /134.5                          |        |                 |
| Exercise of conversion               |             | Issuing new shares                         |        |                 |

## III. Preferred Shares

None.

## IV. Issuance of Global Depositary Receipts Shares

None.

## V. Issuance of Employee Stock Options

To retain the talent needed and motivate employee morale for better shareholders' benefits, the Company had offer employee stock options and made associate exercise plan in 2010 according to the Company's Articles of Association to motivate employees.

(I) Unexpired employee stock option

03/31/2016

| Types of employee stock options granted   | 2010 employee stock option  |
|---|---|
| Date of authority approval  | Not applicable  |
| Date of issuance  | October 15, 2010  |
| Number of issuance  | 3,922,000 units   |
| Percentage of shares exercisable to total outstanding shares                                  | 4.25%   |
| Duration  | 6 years   |
| Exercise period   | One year after the employee stock option granted till the end of the vesting period.  |
| Method of performance   | New common shares issued through capital increase   |
| Vesting schedule and ratio  | Exercisable up to one year 25%, up to two years exercisable 50%, Up to three years exercisable 75%, up to four years exercisable 100%.  |
| Shares exercised  | 2,527,000 shares  |
| Value of shares exercised   | NT\$ 116,763 thousand   |
| Shares unexercised  | 144,000 shares  |
| Exercise price of open options  | NT\$ 40.5   |
| Number of shares vested to unexercised shares as a percentage of total outstanding shares (%) | 0.156%  |
| Dilution effect on existing shareholders  | Number of shares issued through exercise of the options as a percentage of total outstanding shares is 0.156% which has limited dilution effect to the existing shareholders. |

Note: Based on total outstanding shares of 92,189,625 as of 03/31/2016.

(II) Employee stock option granted to management team and top-ten holders of the employee stock option as of the date of this Annual Report:

2010 employee stock option

03/31/2016

| Title                   | Name            | Number of shares vested | Number of shares vested as a percentage of total outstanding shares | Exercised                   |                    |                             |  | open                        |                    |                             |  |
|-------------------------|-----------------|-------------------------|---|-----------------------------|--------------------|-----------------------------|--|-----------------------------|--------------------|-----------------------------|--|
|                         |                 |                         |   | Number of shares subscribed | Subscription price | Subscription amount in NT\$ | ratio of the number of subscribed shares to total outstanding shares | Number of shares subscribed | Subscription price | Subscription amount in NT\$ | ratio of the number of subscribed shares to total outstanding shares |
| Chief Executive Officer | Chien-Hua Teng  | 226,500                 | 0.25%   | 118,500                     | NT\$ 40.5          | NT\$ 4,799 thousand         | 0.13%  | 108,000                     | NT\$ 40.5          | NT\$ 4,374 thousand         | 0.12%  |
| Vice President          | Yiau-Chung Tsai |                         |   |                             |                    |                             |  |                             |                    |                             |  |
| CFO                     | Shiou-Lin Chen  |                         |   |                             |                    |                             |  |                             |                    |                             |  |
| Vice President          | Chia-Cheng Lin  |                         |   |                             |                    |                             |  |                             |                    |                             |  |

Note: Based on total outstanding shares of 92,189,625 as of 03/31/2016.

(III) Exercise of privately placed employee stock warrant: None.

**VI. New restricted employee shares as of the date of this Annual Report**

None.

**VII. Mergers & Acquisitions, and the issuance of new shares due to acquisition of shares of other companies**

None.

**VIII. Capital allocation**

(I) Description of the plan: Previous uncompleted public issue or private placement and issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits: None.

(II) Implementation status: not applicable

## Five Operating Summary

### I. Business Operation

#### (I) Business Scope

##### 1. Main business

The Company specializes in the research, development, manufacturing, sale, and support of interconnect solutions including cable assemblies, connecting cables, connectors, wires, and devices in the form of modules and systems. The Company serves the information technology (“IT”), data communications, medical equipment, consumer electronics, motor vehicle, photovoltaic, home appliance, fiber optics, and industrial equipment industries.

##### 2. Sales mix of major products

Unit: %

| Year<br>Product                         | 2014<br>Percentage | 2015<br>Percentage |
|---|--------------------|--------------------|
| Cable Assemblies (Note)                 | 44.25%             | 36.20%             |
| Wire Harnesses                          | 37.77%             | 35.74%             |
| Cable Docking (Note)                    | -                  | 10.05%             |
| Expansion and Extension Adapters (Note) | -                  | 5.96%              |
| Others                                  | 17.98%             | 12.05%             |
| Total                                   | 100.00%            | 100.00%            |

Note: Product re-organized

##### 3. Product (Service)

|                  |   |
|------------------|---|
| Cable Assemblies | <ul style="list-style-type: none"> <li>- Computers and handheld peripherals: Transmission cables for high-frequency audio and video signals, expansion and extension devices and cable dockings.</li> <li>- Sports vehicle harnesses, battery management system harnesses for electric cars, TVSH harnesses, charging cords, transport refrigeration unit harnesses, and harnesses for energy storage devices.</li> <li>- High-frequency server transmission cables and industrial power cords.</li> <li>- High-frequency transmission cables for consumer electronics and audio cables.</li> </ul> |
|------------------|---|

|                            |  |
|----------------------------|--|
|                            | - Medical sensor cables, high-end signal wires, and optical filters.   |
| Wire Harnesses             | Automobile harnesses, interior wires for medical equipment, wire harnesses for industrial use, and power harnesses for automatic production facilities.  |
| Adaptors and Connectors    | Customized interconnect solutions, including high-frequency connectors for use in computers, consumer electronics, electric vehicles, and electronic appliances.   |
| Photovoltaic               | Junction box, solar connectors, and high-voltage wiring material for solar energy applications.  |
| Raw Cables                 | High-frequency cables used in 3C products, data transmission for servers, industrial power cords, signal cables, and telecommunication applications. Includes high-grade flame-retardant building cables, Teflon cables, electric vehicle charging cables, and wearable device cables. |
| Passive Optical Components | Wavelength Division Multiplexing (WDM) series<br>Fiber optic splitters<br>Micro optics product<br>Optoelectronics product  |

#### 4. Product development

In addition to continuous effort on halogen-free production, our future development will focus on cables and related products converging high-frequency 3Cs, high-end commercial computers, electric vehicles, medical equipment, high voltage products, industrial, and renewable energy equipment.

## (II) Industry Overview

### 1. Industry overview and outlooks

#### (1) Active Cable

The commercial and consumer laptop and tablet trend towards compactness and weight reduction places limitations on the number of connector interfaces supported in new products. Compounded with the continued requirement for data transmission across increased differing devices and formats, this translates to an increased need for high-speed low-loss signal conversion in the form of Adaptors, Dongles, and Docking Stations. Meanwhile, there is also ripe opportunity in the high-speed transmission of

high-resolution graphics across multiple monitors and workstations in gaming, business, design, and medical equipment.

(2) Cable Assembly & Passive Cable

The global aging population is accelerating demand for medical equipment. Quality standards in medical equipment wires for signal integrity, electromagnetic interference, and durability are constantly raised. Continued importance is being placed on manufacturing technology, quality control, and assembly skills.

The advent of smartphones in automotive infotainment, increased potential in driverless technology, and continued digitalization of cars have led to the rise of automotive networking. Combined with breakthroughs in battery technology, the electric vehicle industry is maturing.

(3) Connector

USB-Type C is the new interface for lighter and laminar device design. It not only supports faster and larger capacity charging, but also higher transmission rates (10Gbps) than USB 3.0 and is smaller in size (8.4×2.6mm). The product requires technology that has a high barrier to entry due to its micro components, embedded circuitry, and software integration. Consumer and commercial products alike have been accelerating adoption of this new technology over the past year.

(4) Server Interconnect

Society's increased use and dependency on social media, cloud storage, and cloud computing results in the continued scaling of servers and data centers. These facilities have load, integrity, and thermal requirements in data-transmission that Company products are meeting with fiber optic and AOC cables.

(5) Photovoltaic

Cost per watt has continued to lower with increased generation efficiencies and scaling manufacturing. Demand from Indian and emerging markets show sustained growth. Large scale power plants are gaining market share due to proportionally lower maintenance and roof-top system expenses incurred by smaller plants. Therefore an economic smart monitoring module that integrates monitoring and integration with an alarm system and metering has a potential market.

## 2. Supply chain

We use vertical integration to produce connectors and wiring material essential to our end-product, cable assemblies. Besides wires and connectors by subsidiaries, components are largely procured from external upstream vendors. Our customers are generally EMS players or international brand companies that make or sell the end products.

### 3. Product development trends

Below are the latest interface standards:

#### (1) Video interfaces:

Support 4K x 2K resolution, 3D, high-speed transmission, multi-screen displays, additional vehicle interfaces, and the new generation of small connectors.

#### (2) Data transmission between storage devices

High speed transmission via optical fiber converted from multi-channel copper lines.

#### (3) Regular transmission

Increased transmission speed of external devices to a maximum of 40 Gbps.

#### (4) Solar energy

High voltage and smart junction boxes with monitoring systems.

### 4. Competition

The Company aims to gain competitive advantage through industry diversification and establishing solid co-dependent relationships with first-tier customers in these industries. Differentiation from competitors comes from providing solution packages in the form of joint-development, technical and manufacturing capabilities, global support and logistics, integrated vertical supply chains, and persistent technological evolution. Continued diversification into medical, automotive, industrial, and photovoltaic industries will reduce market risk while helping to achieve sustainable and stable profitability.

## (III) Technology and R&D

### 1. Current technologies and R&D development

Main products include cable assemblies, connectors, and fiber optical parts used in PC peripherals, automobiles, medical equipment as well as industrial and telecommunication facilities. The Company participates in several international industrial standard associations. BizLink R&D centers are located in the Silicon Valley, Taiwan, and

China. These teams collaborate with front-end vendors and back-end international customers, to keep abreast of the latest interconnect technology. High quality connecting harnesses not only support stable electric current and signal transmission, but also lay the foundation for high quality electronic products with long life spans and excellent operational efficiency.

## 2. R&D expenses from 2011 to 2015

Unit: NT\$ thousands; %

| Item           | 2011      | 2012      | 2013      | 2014      | 2015      |
|----------------|-----------|-----------|-----------|-----------|-----------|
| R&D Expenses   | 80,739    | 106,854   | 157,014   | 200,437   | 230,247   |
| Net Sales      | 5,595,837 | 5,799,455 | 7,111,881 | 7,482,011 | 8,416,972 |
| % of Net Sales | 1.44%     | 1.84%     | 2.21%     | 2.68%     | 2.74%     |

## 3. Successful development

| Year | R&D Result                                     | Descriptions/Applications   |
|------|--|---|
| 2015 | USB Type-C Connector                           | USB-IF certified connector  |
|      | USB Type-C 3.1 Gen2 10Gbps High-speed Cable    | USB-IF certified cables   |
|      | USB Type-C 3.1 Power Delivery Docking Stations | One of the few companies globally that have achieved consistent and safe power delivery through USB Type-C. |
|      | Energy Storage Device Harnesses                | Energy storage for household, commercial, and industrial use.   |

## (IV) Short to long-term development strategies and plans

### 1. Short-term development strategies and plans

#### (1) Expand Geographic Reach and Coverage

In line with the Company's focus on customer relationships, it is necessary to be able to provide manufacturing, sales and technical support, R&D, and logistics wherever and whenever it is required, across time zones and geographic borders. To achieve swift response times, short lead times, advantageous tariffs and logistics, and production and supply chain agility, the Company plans to have sales, technical, R&D, and manufacturing teams in all four corners of the world to provide local as well as global support. Immediate plans include expanding to better serve the European and Indian markets. To



support North American customers, the Company has brought Texas and Mexico plants online.

## (2) Expansion of R&D

In order to maintain its first-to-market and product agility advantages, the Company plans in 2016 to further develop and nurture its R&D department:

- Consolidation of hardware and software engineering into a R&D center in Taipei with more equipment and resources
- Early adoption of new technologies and concurrent participation in setting industry standards. Comply and coordinate with industry associations and players
- High current testing facilities (laboratories), with the goal of developing clean energy products
- Expand Product Management Team and establish a top-tier project management system
- Continued investment in the R&D and applications of Cable Docking
- Development of fiber optic technology for server farms and data centers
- R&D in Type-2 medical wiring

## (3) Develop broader distribution channels

The Company aims to establish new channels and fortify existing channels in order to reach new consumers. For IT or consumer electronics products this can be achieved with a web platform to gain exposure to and attract end-customers. For more robust products in the medical, photovoltaic, and industrial markets, the Company hopes to through strategic alliances to develop products.

## 2. Long-term development strategies and plans

- Focus on high-technology product development with strategic diversification for new markets.
- Focus on patented technologies, machinery facilities, production techniques, and the enhancement of production efficiency and automation.
- Deepening of technology levels in high frequency and EMI control.
- Further connector product development for electric vehicles, in-vehicle electronics, medical devices, and solar energy.

- Agility and innovations to strengthen our position in the fields of personal and cloud computing.
- Continued development and promotion of ultra-high speed optical product lines.
- Provide a total solution for customers by targeting service driven product development plans and technology applications.
- Increase proximity of production line facilities to customer sites.
- Sustainably integrate more products into people's daily lives.

## II. Overview of the Market, Production, and Sales

### (I) Market analysis

#### 1. Major sales (service) regions

Unit: NT\$ thousands; %

| Region  | 2014      |        | 2015      |        |
|---------|-----------|--------|-----------|--------|
| Asia    | 3,637,410 | 48.62% | 3,722,903 | 44.23% |
| America | 2,804,846 | 37.49% | 3,389,347 | 40.27% |
| Europe  | 1,037,373 | 13.86% | 1,287,610 | 15.30% |
| Others  | 2,382     | 0.03%  | 17,112    | 0.20%  |
| Total   | 7,482,011 | 100%   | 8,416,972 | 100%   |

#### 2. Market share

Increasing the market share for individual products is a challenge due to product customization for industry and customer specific requirements as well as connector distribution to branded end-product manufacturers. Nonetheless, continuous R&D efforts to expand application areas and the related technologies will result in a visible increase in market share.

#### 3. Industry demands, supplies, and growing potentials

The Information Technology segment showed strong revenue growth in 2015, expanding its revenue share through the robust performance of Cable Docking. Dongles also showed growth due to the trend toward thinner and lighter devices. The evolutionary next step for current devices (tablets, laptops, phones) will be implementing USB TYPE-C connectors for data and power delivery. The Company has positioned itself as a premiere and trusted supplier and developer of this next technological advance. This has already started to bear fruit in the form of USB TYPE-C Dongles and Cable

Docking orders.

Society's environmental awareness and push for clean energy has accelerated the growth of electric vehicles, clean energy generation, and energy storage. The Company has been supplying battery management harnesses for SUVs and is entering the energy storage harness market, with contributions expected in the fourth quarter.

The global aging population has increased demand for medical equipment. In terms of Company products, this trend shows contributions not only in large equipment harnesses but also in other diagnostic and non-invasive peripheral equipment. For analysis, a lot of equipment requires high-resolution imaging, a product niche fitting of the Company's cross-industry expertise.

#### 4. Competitive advantages

##### ① Vertical group integration

Upwards integration to reduce production costs, provide full-line products and ensure material supplies.

##### ② Mass but flexible production capacity

Allocation of production capacity according to customer demand and shipment deadlines to cater to both small-volume orders with a high mix and large-volume orders.

##### ③ Received various international certifications.

All plants have received ISO9000, ISO14001 and OHSAS18001 certification. The solar energy products have obtained UL and TUV verification.

##### ④ Management team

We will continue our established new product development procedures to ensure a long and stable relationship with all of our customers.

#### 5. Positive and negative factors to future development and the addressing plans

##### ① Positive factors

Our connection technology covers a vast range of applications, including computers and peripherals, automobiles, digital communications, industrial and solar energy, medical care, and many others.

##### B. Penetration into top global companies

The Company has earned confidence from top global

companies with its knowledge, technologies, and quality.

② Negative factors and the addressing plans

A. Possible slowdown of growth industry-wide

Demands are still impacted to a certain degree by IT industry outlooks

Addressing plans

We will expand our product application in the automobile, medical, industrial and solar energy areas. To accommodate an increase in car cables we will most likely reduce the percentage of IT products.

B. Competitions

The decreasing gross profit of the electronics and IT industry has led to significant competitive pricing pressure.

Addressing plans

(a) We will continue to invest in development, product design, production automation and production procedure upgrading. At the same time we will generate differentiated and high value added applications to enhance our profitability and lower peer pricing competition.

(b) We will expand our European and US markets through additional marketing efforts and the generation of differentiated, high value added applications.

C. Volatile upstream material prices

Copper and plastic prices fluctuate with international trading markets

Reactive plans

(a) Long-term contract with upstream sources to stabilize supplies and production cost

(b) Monitoring markets and utilizing group purchasing in price negotiation

(II) Major applications and production procedures

1. Applications of the major products

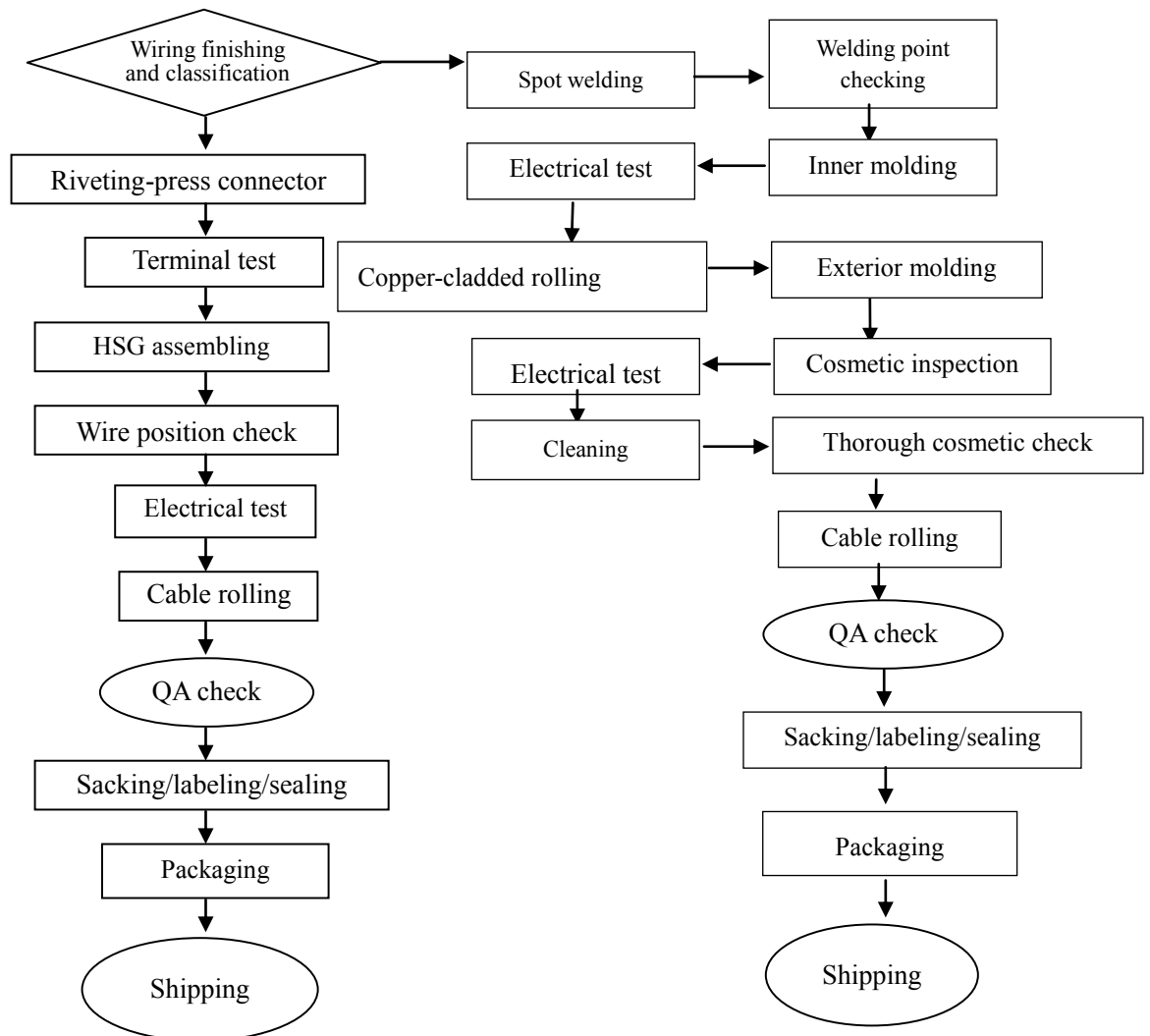
The Group manufactures data cables, power cords, vehicle harnesses, medical cables and harness, connectors/adaptors, bulk cables, and optical components. Applications for these products include computers, home appliances, medical equipment, automobiles, communication gears, solar power equipment, and industrial machineries.

| Product categories   | Applications  |
|--|---|
| Connectors, harnesses, cable assemblies and solar power junction boxes | Signal transmissions: 3C video and audio, data, vehicle electronics, medical diagnostic results display, highway monitoring systems.<br>Power transmission: solar power and EV charging.  |
| Passive optical devices  | Passive optical devices are the fundamental and core components of optical data transmission systems, also the most critical elements when building fiber-optic communication networks. Optical transmissions transmit data at higher speeds.<br>Applications: telecommunications, broadcasting, and data processing centers. |

## 2. Manufacturing processes

Cable assembly processes, from designs, material assembly, to shipment processes:

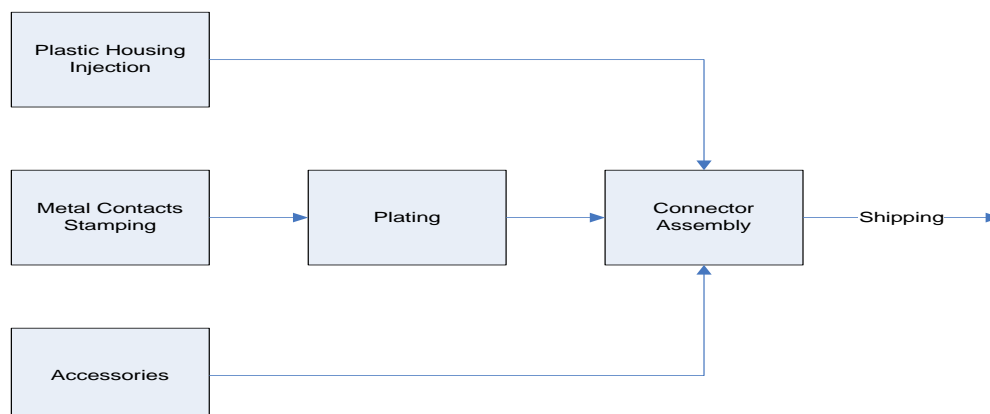
### ① Production procedures of cable assemblies



### ② Production procedures of connectors:

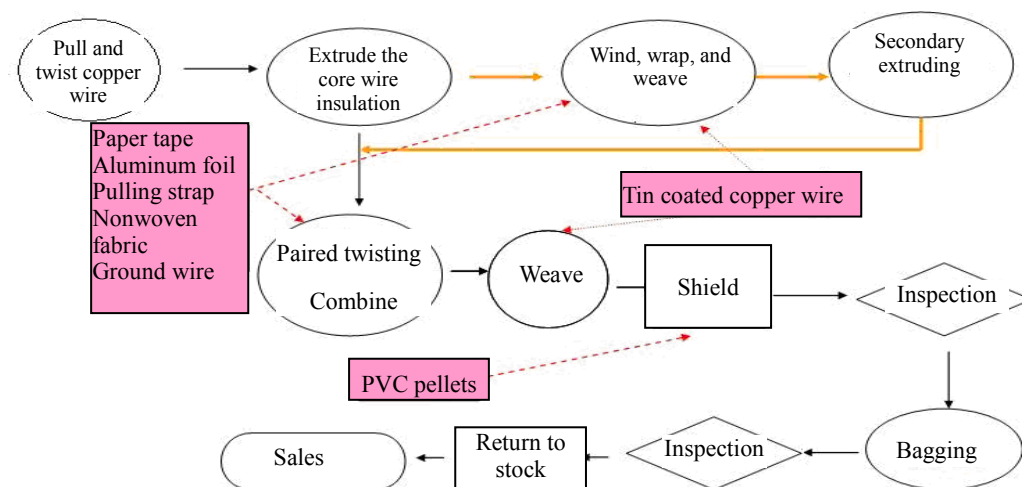
Materials and processes from suppliers are copper tapes,

plastics, plating processes. The majority of connectors are sold to system-providers and connector assembly manufacturers.



### ③ Production procedures of bulk wires:

Materials and services from suppliers are copper rods and industrial plastics. Our bulk wire customers typically include name brands, module-suppliers and assembly manufacturers in photovoltaic industry.



### (III) Supplies of key materials

Our key materials include wires, connectors, terminals, etc. In order to secure our supplies, the Company mainly sources from quality and long-term vendors who offer high-quality and cost-effective materials in timely manner. The Company controls safety stock levels per customers' orders and MRP calculations.

### (IV) Explanations if significant changes on gross profit margin in the last two years: If changes were over 20%, provide analysis on major causes and their impact on the gross profit margins.

| 2013         |                        | 2014         |                        | 2015         |                        |
|--------------|------------------------|--------------|------------------------|--------------|------------------------|
| Gross margin | Fluctuation percentage | Gross margin | Fluctuation percentage | Gross margin | Fluctuation percentage |
| 27.53        | 9.51%                  | 27.85%       | 1.16%                  | 26.63%       | -4.38%                 |

Changes of gross margin rates less than 20%

(V) List of major suppliers and customers:

List a customer with amount, percentage, and reasons of changes if, in the last two years, purchases/sales from/to it ever accounted for higher than 10% of the total purchases/revenues. Designated customer codes, instead of real company names, are acceptable if NDA are signed to protect the names of the customers/suppliers.

1. Major suppliers in 2014 and 2015

None of the purchase to 3<sup>rd</sup> party accounted for more than 10% of the total purchases. Total purchases to top 10 suppliers were 35.84%, 25.18% and 26.09 % of total in 2013, 2014 and 2015. Over the last two years, the company has not favored any one particular supplier. Unless stipulated by the client, the company's purchasing policy states that two suppliers must be available for any material. In addition to price comparison purposes, the supplier flexibility is also increased; therefore, there is no risk of over centralized supply.

2. Major customers in 2014 and 2015

Unit: NT\$ thousands; %

| Item | 2014       |           |            |          | 2015      |           |            |          |
|------|------------|-----------|------------|----------|-----------|-----------|------------|----------|
|      | Name       | Amount    | Percentage | Relation | Name      | Amount    | Percentage | Relation |
| 1    | Customer A | 731,735   | 9.78%      | None     | (Note 2)  | (Note 2)  | (Note 2)   | (Note 2) |
| 2    | Customer C | 727,679   | 9.73%      | None     | (Note 2)  | (Note 2)  | (Note 2)   | (Note 2) |
|      | Net sales  | 7,482,011 | 100.00     | -        | Net sales | 8,416,972 | 100.00     | -        |

Note 1: Changes of suppliers and customers are mainly driven by shifts of market trends and demands.

Note 2: None of the income from single supplier accounted for more than 10% of the consolidated revenue.

(VI) Production volume and value in 2014 and 2015

Unit: pcs/ NT\$ thousands

| Products (or department) | 2014       |            |           | 2015       |            |           |
|--------------------------|------------|------------|-----------|------------|------------|-----------|
|                          | Capacity   | Outputs    | Value     | Capacity   | Outputs    | Value     |
| Cable assemblies         | 37,073,319 | 37,634,503 | 2,528,982 | 22,152,055 | 21,738,229 | 1,544,073 |
| Harnesses                | 31,504,738 | 32,918,422 | 1,855,354 | 28,131,968 | 29,184,786 | 2,026,495 |

|                                  |               |               |           |               |               |           |
|----------------------------------|---------------|---------------|-----------|---------------|---------------|-----------|
| Power cords                      | 1,365,118     | 1,211,627     | 61,906    | 1,187,239     | 1,359,523     | 65,991    |
| Adaptors and connectors          | 1,191,657,092 | 1,829,956,059 | 777,150   | 1,658,670,253 | 2,261,246,244 | 696,044   |
| Bulk cables                      | 64,200,277    | 63,419,008    | 485,835   | 48,333,642    | 45,959,619    | 312,590   |
| Passive optical components       | 226,025       | 306,681       | 152,020   | 267,899       | 422,148       | 41,278    |
| Solar                            | 21,392,062    | 31,414,924    | 335,926   | 18,414,419    | 22,969,600    | 185,893   |
| Cable docking                    | 0             | 0             | 0         | 740,195       | 611,545       | 803,059   |
| Expansion and extension adaptors | 0             | 0             | 0         | 8,127,428     | 6,785,905     | 987,242   |
| Other                            | 710,345,662   | 706,195,563   | 1,097,926 | 516,254,448   | 504,795,565   | 1,367,587 |
| Total                            | 2,057,764,293 | 2,703,056,787 | 7,295,099 | 2,302,279,546 | 2,895,073,164 | 8,030,252 |

Note 1: Capacity is the production volume from existing facility under normal production schedule which factored in necessary suspension and holidays)

Note 2: Capacities, if complementary to each other, will be combined in calculation. Please see footnote.



(VII) Sales volume and value in 2014 and 2015

Unit: pcs/ NT\$ thousands

| Sales volume and value<br>Sales volume | Year | 2014           |       |                     |           | 2015           |       |                     |           |
|--|------|----------------|-------|---------------------|-----------|----------------|-------|---------------------|-----------|
|  |      | Domestic sales |       | International sales |           | Domestic sales |       | International sales |           |
|  |      | Volume         | Value | Volume              | Value     | Volume         | Value | Volume              | Value     |
| Cable assemblies                       |      | 0              | 0     | 48,407,112          | 3,311,042 | 0              | 0     | 32,937,535          | 3,047,013 |
| Harnesses                              |      | 0              | 0     | 40,003,797          | 2,825,902 | 0              | 0     | 20,635,775          | 3,007,972 |
| Power cords                            |      | 0              | 0     | 1,196,743           | 129,161   | 0              | 0     | 1,144,491           | 109,735   |
| Adaptors and connectors                |      | 0              | 0     | 33,554,817          | 318,159   | 0              | 0     | 20,709,254          | 193,279   |
| Bulk cables                            |      | 0              | 0     | 8,186,105           | 131,871   | 0              | 0     | 8,992,607           | 63,510    |
| Passive optical components             |      | 0              | 0     | 128,953             | 166,838   | 0              | 0     | 265,860             | 296,237   |
| Solar                                  |      | 0              | 0     | 4,436,659           | 344,568   | 0              | 0     | 2,676,088           | 138,105   |
| Cable docking                          |      | 0              | 0     | 0                   | 0         | 0              | 0     | 426,572             | 845,910   |
| Expansion and extension adaptors       |      | 0              | 0     | 0                   | 0         | 0              | 0     | 2,526,087           | 501,541   |
| Others                                 |      | 0              | 0     | 315,816,442         | 254,470   | 0              | 0     | 258,385,046         | 213,670   |
| Total                                  |      | 0              | 0     | 451,730,628         | 7,482,011 | 0              | 0     | 348,699,315         | 8,416,972 |

Notes: All sales are international.

More value-added, high unit priced products in 2015 pushed the total revenues up.

**III. Employees in 2014, 2015, and as of the date of this Annual Report**

| Year                  |           | 2014 end | 2015 end | End of March, 2016 |
|-----------------------|-----------|----------|----------|--------------------|
| Number of employees   | Managers  | 132      | 148      | 147                |
|                       | Clerical  | 1,274    | 1,295    | 1,312              |
|                       | Operators | 3,911    | 3,657    | 3,744              |
|                       | Total     | 5,317    | 5,100    | 5,203              |
| Average age           |           | 33.8     | 35.26    | 35.13              |
| Average service years |           | 4.1      | 4.64     | 4.49               |

|           |             |       |        |       |        |       |        |
|-----------|-------------|-------|--------|-------|--------|-------|--------|
| Education | PhD         | 2     | 0.04%  | 2     | 0.04%  | 1     | 0.02%  |
|           | Master      | 66    | 1.24%  | 70    | 1.37%  | 69    | 1.33%  |
|           | College     | 879   | 16.53% | 927   | 18.18% | 934   | 17.95% |
|           | High school | 1,659 | 31.20% | 1,560 | 30.59% | 1,607 | 30.89% |
|           | Others      | 2,711 | 50.99% | 2,541 | 49.82% | 2,592 | 49.81% |

#### IV. Environment Protection Expenditures

- (I) Status if any applications of pollution facilities or waste drainages, if any payments for anti-pollution purposes, or if exclusively personnel setup for environmental issues:

Major production lines are in China.

All factories have Environmental Impact Assessment and the permits on waste water sewage. For recycling and general wastes, the Company has contracts with certified waste management companies

BizLink (Kunshan) Co., Ltd., OptiWorks (Kunshan) Co., Ltd., and Shiang Lien Construction & Development in Kunshan completed sewage infrastructure and received waste water sewage permit from government on 11/28/2011.

BizLink International Electronics (Shenzhen) Co., Ltd. received "Eco-Friendly Certificate" (Shen-Bao-Huan-Sho-Zi: 2010#021) from the Environment Bureau of Baoan District in Shenzhen. There were also "Environmental Impact Report" released by the government environmental committee in Shenzhen on 2013/4/10; #(2013) 601055 from the water district in Shenzhen, and permit from the Environmental Bureau and Tax Bureau of Baoan District in Shenzhen.

BizConn (Shenzhen) International Corp. Shenzhen received "Eco-Friendly Certificate" from the Environment Bureau of Baoan District in Shenzhen

BizConn Certificate of Hazard Management, QC080000: Valid to 2017/2/27

BizConn Certificate of Environment Management, ISO 14001:2004: Valid to 2018/9/14

BizLink Electronics (Xiamen) Co., Ltd. On 10/28/2014, received waste water sewage permit from government, good for three years.

All waste emission, including waste water, gas and salvaged material, from Tongying Electronics (Shenzhen) have met local regulation standards and received approval on November 25th, 2011, (Shen-Bao-Hen-Shui-Pi: 2011: #604827) from the Environment Bureau of the Baoan District of Shenzhen. In addition, all waste emissions are tested by an independent third party to ensure compliance with government regulations;

- (II) List if any investment on anti-pollution equipment, the applications, and possible ROI:

The productions in our factories do not have high pollution processes. Our anti- production operation mainly focuses on waste management, which is currently handled by certified waste management companies. No investment on the major anti-pollution facility is required.

All solid waste generated during the production is properly classified and

recycled by certified waste management companies. Our industrial wastes are managed by disposition stations certified by environmental authority. Our production procedures generate no significant pollutions to the environment.

General sewage per DB4426-2001 Level II standards, and industrial emission were processed before dispersed through pipes to high air per DB4427-2001 Level II, passed the inspection by certified 3<sup>rd</sup> party inspectors. Noise elimination control is per GB12348-2008 Level III or  $\leq 65\text{dB}$  in the daytime and  $\leq 55\text{dB}$  during the night time. There were no radiation sources, radioactive substances nor industrial sewage generated.

The pipes at soldering stations are our primary anti-pollution facilities. They take in the unleaded emission from the production and to release through the roof, keeping any possible damages away from human beings and the environment.

(III) Information about the processes taken by the Company on environmental pollution improvement for 2015, 2014 and up to the date of this Annual Report. If any pollution disputes, list the handling processes: There were no pollution disputes.

(IV) List if any damage or loss (including compensation paid) by the Company on environmental pollution incidents in 2015, 2014 and up to the date of this Annual Report. The total penalty/fine amount, as well as the preventive actions (including improvement) and possible liabilities (including possible loss if no preventive measures are taken, and the penalties and estimated compensation amount; if a reasonable estimation cannot be made, then reasons): None.

(V) Information about the current pollution management processes and their impacts to profits, competitiveness and capital expenditures of the Company, as well as the projected major environment-related capital expenses to be made for the next two fiscal years:

All products manufactured by the Company are eco-friendly and meet local and international environmental regulations. There are no toxic waste or wastewater byproducts from the production process. The stamping and maintenance steps of equipment and product maintenance generate residual solvent inks and negligible chemical solutions. These substances are now 100% managed by certified waste management companies. Procedures for using, storage, and disposing chemical substances are compliant with the local regulations. Documentation regarding hazard waste in case of emergency is filed at the local environmental authority level. Therefore, we foresee no environment-related capital expenses, or impact to the profits and competitive position of the Company due to environmental issues.

## **V. Labor Relation**

(I) Information regarding employee benefits, continuing education, training, retirement programs, and the status of their implementation, as well as the contracts between the employees and the Company, and all measures aimed at preserving the rights and interests of employees.

### **1. Employee benefit programs and execution**

Talents are the most precious assets of the Company. We strive to incubate, cherish and care for every employee to ensure them a balance

development among work, life and leisure. The Company made the salary policy based on profit sharing and performance evaluation to provide sound benefit programs as seen in the following examples (Note: may vary by regions):

- A. Labor insurances per local government's requirements
- B. Social insurances, housing funds, work-related injuries, pension funds, medical insurances, unemployment insurances and maternity insurance, etc.
- C. Gifts in routine birthday parties and traditional holidays
- D. Annual paid time-off per regulations
- E. Various recreational events and employee outings.
- F. Free annual health checkups; free meals and dorm program.
- G. OHSAS18001 occupational safety and health management system.
- H. Regular pay raises and generous annual bonus to the middle managers.

2. Employee education and trainings:

Talented people are the most important and core aspects to BizLink's competitiveness. The Company uses continuous training programs to nurture employees' potential and enhance their knowledge, meanwhile increasing their loyalty to the company. This also provides them with the tools and expertise to improve the Company's operational efficiency to reach business goals. The execution of employee training is as follows:

- A. Accumulated training hours in 2015 was 139,793 hours, or 14 hours/employee, with a total expense of NT\$ 1.10 million. The programs covered professional and general education, including skills for middle management, quality assurance, R&D and engineering, production management, human resources & general administrations, sales & marketing, financial management, and material management.
- B. New employee trainings: Dedicated mentors are assigned when new employees come onboard for orientation, covering an introduction to the working environment and helping them acquaint themselves with the company, coworkers, and corporate culture. Departmental training programs are available to new employees to equip them with basic knowledge for their job. These include, but are not limited to, the company background, organizational structure, employee handbook, awareness of environmental protection, quality/environment policy and the Articles of Association, salary & benefits, training programs, performance appraisal, production safety and hygiene, 6S, and knowledge regarding quality controls.
- C. On-the-job trainings: Our human resource department sets up open-class schedules for the following year at year end. The schedules

combine both internal sessions from departments and the Company, and external programs. Internal sessions are lead by lectures from either internal instructors or external professionals with professional knowledge and machinery operation experience. The external programs are done by professional training institutes, such as Ahead International Management Consulting and The Association of Pioneer Quality Control Research for special training projects.

- D. Management trainings: For managers, various trainings were provided according to their level and work nature to create team vision and operating consensus. The Management Training Program is provided to the Company's managers and fully subsidized by the Company to foster individual leadership and management skills.
- E. E-Learning: The Company has established a corporate learning platform online, BizLink eLearning. Employees are free to utilize the programs. The classes are updated regularly and cover management, professional skills, finance, information system, and quality assurance. BizLink eLearning was awarded a Grade A certification in 2007 for its quality in the program of digital learning industry promotion and development from the Industrial Development Bureau, Ministry of Economic Affairs.
- F. Internal instructors: To pass down and circulate organizational and professional knowledge, the Company has formed an instructor team for the classes, and improved the teachers' abilities to develop new training programs and to integrate the materials into practical operations.
- G. Special skill training: For trainings that require sophisticated skills and professionalism, the Company has partnered with 3<sup>rd</sup> party training institutes to develop special skill programs, such as IPC-620 and English writing and speaking.
- H. Management trainee program: To fulfill the need for talented and higher-quality employees for business development and company recognition, the Company regularly recruits new graduates from universities, and internally promotes employees with outstanding performance to management trainee programs to staff future development.

### 3. Retirement program and execution

The Company's retirement programs are set per local requirements for funds and pensions. For example, starting from July 2005, we have deposited the monthly retirement funds to the individuals' pension accounts according to Pension Labor Act to ensure Taiwanese employee's life protection after retirement.

4. Contracts between the employees and the Company, and all measures aimed at protecting the rights and interests of employees.

- A: Union establishment: Unions are formed per related local regulations, and Union meetings are held regularly based on the related local regulations. Representatives from the employees are invited to facilitate the communication with employees as they can get opinions and requests from the meetings for employees' needs and issues, and invite unions' participation to the benefit program and policy setting. As of today, all union members are willing to dedicate to the related matters to assist the win-win situation for the Company and employees.
- B. Suggestions deposits: An appeal and complaint channel for the employees, managed by a dedicated personnel. Employees are encouraged to bring up suggestions, which will be used as references for continuous improvements on company policies.

5. Code of employee conduct and morale

The Company has employee handbooks available as a guideline for daily operation and conduct. The following articles are from Code of employee conduct and morale from the Company:

- (1) Honesty and integrity  
Employees must abide by the honesty and integrity articles stipulated by the Company, not to solicit any improper interests, like rebates, commissions, gifts, or entertainments from any trading parties, including partners, customers, material vendors and service providers, regardless the result of the transactions
- (2) No harassments in any form is allowed  
Employees have the right to work under harassment-free environment. Harassments targeting cultural backgrounds are prohibited
- (3) Promises and implementation  
The Company has declared an honest policy. The board and the management team shall strive to implement the promise and carry out necessary procedures and management within internal and external business activities.
- (4) Honest business activities  
The Company shall conduct its business in fair and transparent manners. Before any transactions with agents, suppliers, customers or trading partners, the Company shall ensure its honest business policy is included in the contracts to implement terminations or cancellations of the transactions if the policies are violated
- (5) No bribery  
The Company strictly forbids its employees to directly or indirectly offer/promise or to take/receive any kind of improper interests including rebates, commissions, or any payments to or from customers, agents, contractors, suppliers, government officers, or any other interest parties.
- (6) No illegal political contributions

The Company strictly forbids its employees to offer illegal contributions to any political parties or events in exchange for business interests or advantages.

(7) No illegal charity contributions or sponsorships

The Company strictly forbids its employees to give charity donations or sponsorships per laws and internal policies to avoid de facto bribery.

(8) No inappropriate gifts, entertainment or interests

The Company strictly forbids its employees to give improper gifts, entertainment, or interests to influence the business transactions or make impact to the legitimate of the deals. Dealings with partners who have records of unethical conduct shall be avoided. Personal direct or indirect donations shall abide by Political Donations Act and company policies.

(II) Information regarding the loss suffered by the Company due to labor disputes occurring in 2014, 2015, and up to the date of this Annual Report, and the estimated amount expected incur for the present and future as well as the preventive measures. If a reasonable estimation cannot be made, reasons should be stated herein. Through constant promotion and improvement of various employee benefit measures, the potential risk of major losses incurred due to labor-capital disputes in the future is minimized.

## VI. Important contracts

| Item | Type of contract             | The parties   | Valid Period   | Major transaction   | Covenant clause |
|------|------------------------------|---|--|---|-----------------|
| 1    | Licensing                    | Apple Inc.  | Two years starting from 12/3/2007 and automatically renewed thereafter | Apple Inc. has authorized BizLink Technology Inc. (BizLink, U.S.A. hereafter) to use technologies to make products under the name of BizLink, U.S.A. with a license payment of US\$ 4 for each unit made. | --              |
| 2    | Licensing                    | Molex Incorporated  | 7/30/2007- Patent expiration   | Molex Incorporated authorize BizLink, U.S.A. to make products   | --              |
| 3    | Licensing                    | VESA  | 3/11/2008- contract termination with VESA                              | Video Electronics Standard Association , U.S.A. authorized BizLink, U.S.A. to use DisplayPort Trademark Icons free of charge.   | --              |
| 4    | Licensing                    | Molex Incorporated  | 11/7/2011 - Mature date of the right to use the patent.                | Molex authorized BizLink to use the patent for miniSAS series   | --              |
| 5    | Qualify assurance contract   | Beijing Xiaomi Technology Co., Ltd  | Period is for five years starting from 08/18/2014                      | Regarding handling of product liability and deviation in product quality and quantity.  |                 |
| 6    | Logistics                    | Flextronics International S.R.O   | Stating from 8/1/2009 until termination notice from either side        | Logistics agreement with Flextronics regarding products for HP  | --              |
| 7    | Product Liability Insurance  | Zurich Insurance Group (BIZLINK BVI CORP, etc.)   | 07/03/2015 to 07/03/2016   | Product liability coverage for products sold in non US and Canada areas.  | --              |
| 8    | Employer liability insurance | China Life Property & Casualty Insurance Company, Shenzhen branch. (Eight production plants in China under the BizLink Group) | 5/9/2015 to /5/10/2016   | Liability coverage for employee death or disability caused by work accidents.   |                 |



## Six Financial Highlights

### I. Financial Information from 2011 to 2015

#### (I) Consolidated Condensed Balance Sheets and Statements of Comprehensive Income – Based on IFRS1.

##### Consolidated Condensed Balance Sheets

Unit: NT\$ Thousand

| Item \ Year                                 |                      | Financial Information (Note 1) |           |           |           | Financial Information                    |
|---|----------------------|--------------------------------|-----------|-----------|-----------|--|
|   |                      | 2012                           | 2013      | 2014      | 2015      | As of<br>March 31, 2016<br>( N o t e 2 ) |
| Current assets                              |                      | 3,358,686                      | 4,032,436 | 4,909,171 | 5,217,194 | 7,316,501                                |
| Property, plant and equipment               |                      | 750,338                        | 834,723   | 1,192,576 | 1,318,067 | 1,704,068                                |
| Intangible assets                           |                      | 79,764                         | 97,182    | 104,444   | 94,875    | 105,889                                  |
| Other assets                                |                      | 67,102                         | 76,202    | 100,219   | 198,373   | 113,769                                  |
| Total assets                                |                      | 4,315,958                      | 5,151,974 | 6,523,935 | 7,084,812 | 9,491,356                                |
| Current liabilities                         | Before appropriation | 1,395,726                      | 1,618,327 | 1,913,267 | 2,243,442 | 1,898,494                                |
|   | After appropriation  | 1,666,581                      | 2,017,311 | 2,347,612 | (Note 3)  | (Note 3)                                 |
| Non-current liabilities                     |                      | 190,336                        | 78,844    | 481,808   | 455,341   | 2,884,332                                |
| Total liabilities                           | Before appropriation | 1,586,062                      | 1,697,171 | 2,395,075 | 2,698,783 | 4,782,826                                |
|   | After appropriation  | 1,856,917                      | 2,096,155 | 2,829,420 | (Note 3)  | (Note 3)                                 |
| Equity attributable to owners of the parent |                      | 2,729,896                      | 3,454,803 | 4,128,860 | 4,386,029 | 4,708,530                                |
| Paid-in capital                             |                      | 733,909                        | 797,967   | 868,690   | 918,191   | 921,896                                  |
| Capital surplus                             |                      | 631,393                        | 833,980   | 1,113,903 | 1,165,845 | 1,370,347                                |
| Retained earnings                           | Before appropriation | 1,448,265                      | 1,740,306 | 1,918,208 | 2,199,647 | 2,365,160                                |
|   | After appropriation  | 1,177,410                      | 1,301,424 | 1,440,428 | (Note 3)  | (Note 3)                                 |
| Other components of equity                  |                      | (83,671)                       | 82,550    | 228,059   | 102,346   | 51,127                                   |
| Treasury Stock                              |                      | -                              | -         | -         | -         | -  |
| Non-controlling interest                    |                      | -                              | -         | -         | -         | -  |
| Total equity                                | Before appropriation | 2,729,896                      | 3,454,803 | 4,128,860 | 4,386,029 | 4,708,530                                |
|   | After appropriation  | 2,459,041                      | 3,055,819 | 3,694,515 | (Note 3)  | (Note 3)                                 |

Note 1: Consolidated financial statements of 2012 to 2015 have been audited by independent auditors.

Note 2: Consolidated financial statements for 2016 Q1 have been reviewed by independent auditors.

Note 3: The appropriation amount for the 2015 earnings have not yet been approved in the annual general shareholders' meeting.

## 2. Consolidated Condensed Statements of Comprehensive Income

Unit: In NT\$ Thousand

| Item \ Year  | Financial Information<br>(Note 1) |           |           |           | Financial Information<br>Three Months<br>Ended March 31,<br>2016 (Note 2) |
|--|-----------------------------------|-----------|-----------|-----------|---|
|  | 2012                              | 2013      | 2014      | 2015      |   |
| Revenue  | 5,799,455                         | 7,111,881 | 7,482,011 | 8,416,972 | 2,048,704   |
| Gross margin   | 1,457,694                         | 1,957,919 | 2,083,494 | 2,241,488 | 603,772   |
| Operating income (loss)  | 402,358                           | 776,377   | 778,734   | 786,373   | 226,315   |
| Non-operating income (expenses)                                    | (33,495)                          | (55,810)  | 38,649    | 178,827   | (25,835)  |
| Pre-tax net income   | 368,863                           | 720,567   | 817,383   | 965,200   | 200,480   |
| Net income from Continuing operations                              | 287,785                           | 563,569   | 616,934   | 759,950   | 165,513   |
| Losses from discontinued operations                                | -                                 | -         | -         | -         | -   |
| Net profit (loss)  | 287,785                           | 563,569   | 616,934   | 759,950   | 165,513   |
| Other comprehensive income (loss) (after tax)                      | (83,331)                          | 165,548   | 145,359   | (126,444) | (51,219)  |
| Total comprehensive income   | 204,454                           | 729,117   | 762,293   | 633,506   | 114,294   |
| Net income attributable to owners of the parent                    | 287,785                           | 563,569   | 616,934   | 759,950   | 165,513   |
| Net income attributable to non-controlling interest                | -                                 | -         | -         | -         | -   |
| Total comprehensive income attributable to owners of the parent    | 204,454                           | 729,117   | 762,293   | 633,506   | 114,294   |
| Total comprehensive income attributable to no-controlling interest | -                                 | -         | -         | -         | -   |
| Earnings per share (NT\$) (Note 3)                                 | 4.19                              | 6.94      | 6.93      | 8.30      | 1.80  |

Note 1: Consolidated financial statements of 2012 to 2015 have been audited by independent auditors.

Note 2: Consolidated financial statements for 2016 Q1 have been reviewed by independent auditors.

Note 3: Earnings per share are calculated by the released common shares in weighted average method, as the shares in capital increase, are retroactively adjusted.

(II) Consolidated Condensed Balance Sheets and Statements of Comprehensive Income – Based on R.O.C. GAAP

1. Consolidated Condensed Balance Sheets

Unit: In NT\$ Thousand

| Year<br>Item                                    |                      | Financial Information (Note 1) |           |           |
|---|----------------------|--------------------------------|-----------|-----------|
|   |                      | 2010                           | 2011      | 2012      |
| Current assets                                  |                      | 2,567,770                      | 3,226,501 | 3,380,031 |
| Funds and Investments                           |                      | 32,770                         | 15,487    | 10,564    |
| Fixed Assets                                    |                      | 617,464                        | 706,902   | 752,590   |
| Intangible assets                               |                      | 17,446                         | 33,109    | 92,895    |
| Other assets                                    |                      | 75,873                         | 106,136   | 58,908    |
| Total assets                                    |                      | 3,311,323                      | 4,088,135 | 4,294,988 |
| Current liabilities                             | Before appropriation | 1,310,991                      | 1,523,834 | 1,351,154 |
|   | After appropriation  | 1,539,582                      | 1,654,458 | 1,622,009 |
| Long-term liabilities                           |                      | 92,864                         | 94,178    | 193,520   |
| Other liabilities                               |                      | 39,348                         | 41,393    | 28,602    |
| Total liabilities                               | Before appropriation | 1,443,203                      | 1,659,405 | 1,573,276 |
|   | After appropriation  | 1,671,794                      | 1,790,029 | 1,844,131 |
| Paid-in capital                                 |                      | 576,277                        | 653,117   | 733,909   |
| Capital surplus                                 |                      | 126,822                        | 509,976   | 633,131   |
| Retained earnings                               | Before appropriation | 909,486                        | 859,355   | 994,949   |
|   | After appropriation  | 680,895                        | 715,669   | 724,094   |
| Unrealized gain (loss) on financial instruments |                      | -                              | -         | -         |
| Accumulated translation adjustments             |                      | 255,535                        | 406,282   | 359,723   |
| Unrealized net loss on pension cost             |                      | -                              | -         | -         |
| Total shareholders' equity                      | Before appropriation | 1,868,120                      | 2,428,730 | 2,721,712 |
|   | After appropriation  | 1,639,529                      | 2,285,044 | 2,450,857 |

Note: Consolidated financial statements in recent years have been audited by independent auditors.

## 2. Consolidated Condensed Statements of Comprehensive Income

Unit: In NT\$ Thousand

| Year<br>Item   | Financial Information (Note 1) |           |           |
|--|--------------------------------|-----------|-----------|
|  | 2010                           | 2011      | 2012      |
| Revenue  | 5,144,591                      | 5,595,837 | 5,694,854 |
| Gross margin   | 1,421,383                      | 1,278,625 | 1,431,403 |
| Operating income                                     | 582,299                        | 290,171   | 398,543   |
| Non-operating income and profit                      | 19,026                         | 12,968    | 38,292    |
| Non-operating expenses and loss                      | 56,253                         | 92,351    | 41,834    |
| Pre-tax income from continuing operations            | 545,072                        | 210,788   | 395,001   |
| Net income from continuing operations                | 545,072                        | 210,788   | 395,001   |
| Income and loss from discontinued operations         | -                              | -         | -         |
| Extraordinary Item                                   | -                              | -         | -         |
| Cumulative Effect of Changes in Accounting Principle | -                              | -         | -         |
| Net income   | 405,364                        | 151,697   | 308,474   |
| Earnings per share (NT\$) (Note 2)                   | 7.23                           | 2.36      | 4.49      |

Note 1: Consolidated financial statements in recent years have been audited by independent auditors.

Note 2: Other than earnings per share, which is in NT\$, all other items are in NT\$ Thousand.

(III) Auditors' Names and Opinions from 2011 to 2015

1. Auditors' Names and Opinions from 2011 to 2015

| Year | Name of CPA                      | Accounting Firm   | Audit opinion                |
|------|----------------------------------|-------------------|------------------------------|
| 2010 | Wei Zhong<br>Rong-Ming Chang     | Deloitte & Touche | Modified unqualified opinion |
| 2011 | Wei Zhong<br>Rong-Ming Chang     | Deloitte & Touche | Modified unqualified opinion |
| 2012 | Wei Zhong<br>Cheng-Quan Yu       | Deloitte & Touche | Unqualified opinion          |
| 2013 | Wei Zhong<br>Cheng-Quan Yu       | Deloitte & Touche | Unqualified opinion          |
| 2014 | Cheng-Quan Yu<br>Angus Chang     | Deloitte & Touche | Unqualified opinion          |
| 2015 | Chung-Chen Chen<br>Cheng-Quan Yu | Deloitte & Touche | Modified unqualified opinion |

2. For CPA changes, the names of former and succeeding CPA firms and independent accountants from 2011 to 2015, as well as the reasons for the changes, shall be provided: The change was due to the internal rotation within the CPA firm, Deloitte & Touche.

**II. Financial Ratio Analysis from 2012 to 2015**

(I) Financial Ratio Analysis- Based on IFRS

| Year (Note1)<br>Item (Note 3) |   | Financial Analysis from 2012 to 2015 |        |        |        | Financial Analysis<br>Three months ended<br>March 31, 2016<br>(Note 2) |
|-------------------------------|---|--------------------------------------|--------|--------|--------|--|
|                               |   | 2012                                 | 2013   | 2014   | 2015   |  |
| Financial structure (%)       | Debt to asset ratio                                   | 36.75                                | 32.94  | 36.71  | 38.09  | 50.39  |
|                               | Long-term fund to Property, plant and equipment ratio | 389.19                               | 423.33 | 386.61 | 367.31 | 445.57   |
| Solvency (%)                  | Current ratio   | 240.64                               | 249.17 | 256.59 | 232.55 | 385.38   |
|                               | Quick ratio   | 161.47                               | 172.36 | 166.22 | 155.76 | 292.86   |
|                               | Interest coverage ratio                               | 35.86                                | 138.64 | 74.74  | 61.30  | 26.16  |
| Operations                    | Account receivables turnover (times)                  | 4.97                                 | 4.90   | 4.46   | 4.67   | 4.54   |
|                               | Average collection days                               | 73.44                                | 74.48  | 81.83  | 78.15  | 80.39  |
|                               | Inventory turnover (times)                            | 3.81                                 | 4.30   | 3.64   | 3.60   | 3.31   |
|                               | Account payables turnover (times)                     | 5.28                                 | 5.74   | 5.11   | 5.19   | 5.06   |
|                               | Average days sales                                    | 95.80                                | 84.88  | 100.27 | 101.38 | 110.27   |
|                               | Fixed assets turnover (times)                         | 7.98                                 | 8.97   | 7.38   | 6.71   | 5.42   |
|                               | Total assets turnover (times)                         | 1.38                                 | 1.50   | 1.28   | 1.24   | 0.99   |
| Profitability                 | Return on assets (%)                                  | 7.09                                 | 12.02  | 10.76  | 11.40  | 8.37   |
|                               | Return on equity (%)                                  | 11.07                                | 18.22  | 16.27  | 17.85  | 14.56  |

|            |  |       |       |       |        |       |
|------------|--|-------|-------|-------|--------|-------|
|            | <u>Pre-tax income as a percentage of total paid-in capital (%)</u>   | 50.26 | 90.30 | 94.09 | 105.12 | 86.99 |
|            | Profit margin (%)  | 4.96  | 7.92  | 8.25  | 9.03   | 8.08  |
|            | Earnings per share   | 4.19  | 6.94  | 6.93  | 8.30   | 1.80  |
| Cash Flows | Cash flow ratio (%)  | 29.03 | 23.14 | 40.55 | 42.66  | 11.10 |
|            | Cash flow adequacy ratio (%)   | 59.09 | 59.62 | 53.27 | 81.96  | 59.74 |
|            | Cash flow reinvestment ratio (%)   | 8.44  | 2.60  | 7.24  | 9.42   | 2.54  |
| Leverage   | Operating leverage   | 4.86  | 3.23  | 3.61  | 3.75   | 3.45  |
|            | Financial leverage   | 1.03  | 1.01  | 1.01  | 1.02   | 1.04  |
|            | Financial ratio variance over 20% in 2015 compared to 2014 :<br>1. The interest coverage ratio rose by 20% due to higher revenue growth in 2015.<br>2. Operating cash flow ratio increased by 54% due to higher revenue growth, higher cash inflow from operation activities in 2015 and lower capital expenses, less inventory in 2014.<br>3. Cash reinvestment ratio increased by 30% due to higher cash inflow from operation activities in 2015. |       |       |       |        |       |

Note 1: Consolidated financial statements for 2014 and 2015 had been audited by independent auditors.

Note 2: Consolidated financial statements for 2016 Q1 have been reviewed by independent auditors.

Note 3: Formulas:

1. Financial structure
  - (1) Debt to asset ratio = Total liabilities / Total assets.
  - (2) Long-term fund to Property, plant and equipment ratio = (Shareholders' equity + Noncurrent liability) / Property, plant and facility, net.
2. Solvency (%)
  - (1) Current ration = Current assets / Current liabilities.
  - (2) Quick ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.
  - (3) Interest coverage ratio= Income before interest and taxes / Interest expenses.
3. Operations
  - (1) Account receivables (Including account receivables and notes receivables from operating activities) turnover = Net sales / Average account receivables (Including account receivables and notes receivables from operating activities).
  - (2) Average collection days = 365 / Average account receivables.
  - (3) Inventory turnover = Cost of goods sold / average inventory.
  - (4) Account payables (including account payables and notes payables due to operating activities from each period) turnover = Cost of Sales / Account payables turnover (including account payables and notes payables from operating activities in each period).
  - (5) Average days sales = 365 / Inventory turnover.
  - (6) Fixed assets turnover= Net sales / Average Fixed assets, net
  - (7) Total assets turnover = Net sales / Average total assets.
4. Profitability
  - (1) Returns on assets = [Net income + Interest expense× (1- tax rate)] / average total assets
  - (2) Return on equity = Net income / Average shareholders' equity.
  - (3) Profit margin = Net income / net sales.
  - (4) Earnings per share = (Net income attributable to owners of the parent company – preferred dividend) / Weighted, average number of shares outstanding.
5. Cash Flows
  - (1) Cash flow ratio = Net cash provided by operating activities / Current liabilities.
  - (2) Net cash flow adequacy ratio = Five-year sum of net cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend.
  - (3) Cash re-investment ratio = (Net cash provided by operating activities - Cash dividends) / (Gross fixed assets + Long-term Investment + Other noncurrent assets + Working capital).
6. Leverage:

- (1) Operating leverage =  $(\text{Net Sales} - \text{Variable cost}) / \text{Income from operations}$ .
- (2) Financial leverage =  $\text{Income from operations} / (\text{Income from operations} - \text{Interest expenses})$ .

(II) Financial Ratio Analysis – Based on R.O.C. GAAP

| Year (Note 1)<br>Item (Note 2) |   | Financial analysis from 2010~2012 |        |        |
|--------------------------------|---|-----------------------------------|--------|--------|
|                                |   | 2010                              | 2011   | 2012   |
| Financial structure (%)        | Debt to asset ratio                                   | 43.58                             | 40.59  | 36.63  |
|                                | Long-term fund to Property, plant and equipment ratio | 317.59                            | 356.90 | 387.36 |
| Solvency %                     | Current ratio   | 195.86                            | 211.74 | 250.16 |
|                                | Quick ratio   | 119.03                            | 134.62 | 168.87 |
|                                | Interest coverage                                     | 72.51                             | 26.01  | 45.73  |
| Operations                     | Account receivables turnover (times)                  | 5.25                              | 5.20   | 4.86   |
|                                | Average collection days                               | 70                                | 70     | 75     |
|                                | Inventory turnover (times)                            | 4.32                              | 4.02   | 3.75   |
|                                | Account payables turnover (times)                     | 5.99                              | 6.04   | 5.19   |
|                                | Average days sales                                    | 84                                | 91     | 97     |
|                                | Fixed assets turnover (times)                         | 8.33                              | 7.92   | 7.57   |
|                                | Total asset turnover (times)                          | 1.55                              | 1.37   | 1.33   |
| Profitability                  | Return on assets (%)                                  | 12.78                             | 4.33   | 7.57   |
|                                | Return on Equity (%)                                  | 24.21                             | 7.06   | 11.98  |
|                                | Percent of paid-in capital                            | Operating income                  | 44.43  | 54.30  |
|                                |   | Income before income tax          | 32.27  | 53.82  |
|                                | Profit margin (%)                                     | 7.88                              | 2.71   | 5.42   |
|                                | Earnings per share                                    | 7.23                              | 2.36   | 4.49   |
| Cash flows                     | Cash flow ratio (%)                                   | 2.66                              | 15.30  | 29.81  |
|                                | Cash flow adequacy ratio (%)                          | 64.81                             | 51.09  | 58.45  |
|                                | Cash flow reinvestment ratio (%)                      | -                                 | 2.65   | 8.38   |
| Leverage                       | Operating leverage                                    | 3.08                              | 5.94   | 4.83   |
|                                | Financial leverage                                    | 1.01                              | 1.03   | 1.02   |

Note 1: Consolidated financial statements from 2010 to 2012 have been audited by independent auditors.

Note 2: Formulas:

1. Financial structure

(1) Debt to asset ratio = Total liabilities / Total assets.

(2) Long-term fund to Property, plant and equipment ratio = (Shareholders' equity + Noncurrent liability) / Property, plant and facility, net.

(3) Interest coverage ratio= Income before interest and taxes / Interest expenses

2. Solvency (%)

(1) Current ration = Current assets / Current liabilities.

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

(3) Times interest earned = Earnings before interest and taxes / Current Interest expenses.



3. Operating efficiency
  - (1) Account receivables (Including account receivables and notes receivables from operating activities from each period) turnover= Net sales / Average account receivables (including account receivables and notes receivables from operating activities in each period).
  - (2) Average collection days= 365 / Average account receivables.
  - (3) Inventory turnover = Cost of goods sold / average inventory.
  - (4) Account payables (Including account payables and notes payables from operating activities in each period) turnover= Cost of Sales / Account payables turnover (Including account payables and notes payables from operating activities in each period).
  - (5) Average days sales=365 / Inventory turnover.
  - (6) Fixed assets = Net sales / Average fixed assets, net
  - (7) Total assets turnover = Net sales / Average total assets.
4. Profitability
  - (1) Return on assets = [Net income + Interest expense× (1- Tax rate)] / Average total assets
  - (2) Return on Equity = Net income / Average net shareholders' equity.
  - (3) Profit margin = Net income / Net sales.
  - (4) Earnings per share= (Income after tax- Preferred dividends) / Weighted, average number of Shares outstanding.
5. Cash flows
  - (1) Cash flow ratio = Net cash provided by operating activities / Current liabilities.
  - (2) Net cash flow adequacy ratio = Five-year sum of net cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend.
  - (3) Cash reinvestment ratio = (Net cash provided by operating activities — Cash dividends) / (Gross fixed assets + Long-term investment + Other assets + Working capital).
6. Leverage:
  - (1) Operating leverage = (Net Sales - Variable cost) / Income from operations.
  - (2) Financial leverage = Income from operations / (Income from operations - Interest expenses)

### **III. Audit Committee Report**

#### **Audit Committee Report**

The Board of Directors of BizLink Holding Inc. has submitted the Company's 2015 business report, financial statements, and earnings appropriation proposal to the Audit Committee. The CPA firm, Deloitte & Touche, was retained to audit the financial statements and has issued an audit report accordingly. The business report, financial statements, and earnings appropriation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

BizLink Holding Inc.

|                       |                |
|-----------------------|----------------|
| Independent director, | Ming-Chun Chen |
|-----------------------|----------------|

|                       |                |
|-----------------------|----------------|
| Independent director, | Chun-Yen Chang |
|-----------------------|----------------|

|                       |              |
|-----------------------|--------------|
| Independent director, | Jr-Wen Huang |
|-----------------------|--------------|

March 15, 2016

**IV. Financial reports in recent years, including CPA audit reports, two comparable balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows**

Please refer to p.119 “2014 and 2015 Financial Statements”.

**V. Audited stand-alone financial statements in recent years, not including detailed list of important items**

None

**VI. The Company should disclose the financial impact to the Company if the Company and its affiliates have incurred any financial or cash flow difficulties in recent years or as of the date of this Annual Report**

None.

# Seven Financial Status, Performance Review, and Risk Analysis

## I. Financial Condition Analysis

Unit: NT\$ Thousand; %

| Item \ Year  | 2014      | 2015      | Change    |                    |
|--|-----------|-----------|-----------|--------------------|
|  |           |           | Amount    | Change percentage% |
| Current assets   | 4,909,171 | 5,217,194 | 308,023   | 6.27%              |
| Property, plant and equipment  | 1,192,576 | 1,318,067 | 125,491   | 10.52%             |
| Intangible assets  | 104,444   | 94,875    | (9,569)   | (9.16%)            |
| Other assets   | 100,219   | 198,373   | 98,154    | 97.94%             |
| Total assets   | 6,523,935 | 7,084,812 | 560,877   | 8.60%              |
| Current liabilities  | 1,913,267 | 2,243,442 | 330,175   | 17.26%             |
| Non-current liabilities  | 481,808   | 455,341   | (26,467)  | (5.49%)            |
| Total liabilities  | 2,395,075 | 2,698,783 | 303,708   | 12.68%             |
| Paid-in capital  | 868,690   | 918,191   | 49,501    | 5.70%              |
| Capital surplus  | 1,113,903 | 1,165,845 | 51,942    | 4.66%              |
| Retained earnings  | 1,918,208 | 2,199,647 | 281,439   | 14.67%             |
| Other components of equity   | 228,059   | 102,346   | (125,713) | (55.12%)           |
| Total shareholders' equity   | 4,128,860 | 4,386,029 | 257,169   | 6.23%              |
| <p>Analysis of significant variance: (variance over 10% compared with prior period or amount over 1% of total assets of current period).</p> <ol style="list-style-type: none"> <li>1. Property, plant and equipment: Business Expansion led to the addition of production plants and MES system.</li> <li>2. Other assets: Due to expanding the Company's scale of operations with an expansion and acquisition of factory and office space and equipment.</li> <li>3. Current liabilities: Due to expanding of the Company's scale of operations, and an associated increase in short-term loans, accounts payables, and other payables.</li> <li>4. Retained earnings: Revenue growth lead to increases of profits.</li> <li>5. Other components of equity: This was due mainly to the difference of exchange rate on translation of foreign operations financial reports between 2014 and 2015.</li> </ol> |           |           |           |                    |

## II. Financial Performance

### (I) Operation Analysis

Unit: NT\$ Thousand; %

| Item \ Year  | 2014      | 2015      | Change    |                     |
|--|-----------|-----------|-----------|---------------------|
|  |           |           | Amount    | Change percentage % |
| Revenue  | 7,482,011 | 8,416,972 | 934,961   | 12.50%              |
| Cost of goods sold   | 5,398,517 | 6,175,484 | 776,967   | 14.39%              |
| Gross margin   | 2,083,494 | 2,241,488 | 157,994   | 7.58%               |
| Operating expenses   | 1,304,760 | 1,455,115 | 150,355   | 11.52%              |
| Net operating income   | 778,734   | 786,373   | 7,639     | 0.98%               |
| Non-operating expenses   | 38,649    | 178,827   | 140,178   | 362.70%             |
| Pre-tax net income   | 817,383   | 965,200   | 147,817   | 18.08%              |
| Less: Income tax expense   | 200,449   | 205,250   | 4,801     | 2.40%               |
| Net income   | 616,934   | 759,950   | 143,016   | 23.18%              |
| Other comprehensive income (after tax)   | 145,359   | (126,444) | (271,803) | (186.99%)           |
| Total comprehensive income   | 762,293   | 633,506   | (128,787) | (16.89%)            |
| Analysis of significant variance: (variance % over 10% compared with previous period or amount over 1% of total assets in current period).<br>1. Operating income and cost: Benefited from revenue growth in motor vehicle and IT products. Costs increased in line with revenue growth.<br>2. Operating Expense : Due to revenue growth during this period, related operating expenses increased as well.<br>3. Revenue: The increase in operating expenses was in line with the growth of current revenue.<br>4. Other income and expenses: Due to lower foreign exchange losses and loss on the valuation of financial liability. |           |           |           |                     |

### (II) Revenue Outlook and Key Assumptions

We expect both sales quantity and value in 2016 will continue to grow due to expanded market share of vehicle products, docking stations, as well as the launch of the new Type-C products. We believe strong vehicle harness shipments will result from the continuing electric and sports vehicle market expansion. In addition, we have developed a new series of product lines based on the new USB interface platform which will begin accelerated shipping from the second half of 2016. Please refer to the business report for related market research and an analysis of the current and future developments in the industry.

### (III) Potential impacts to the Company's future financial plan and corresponding plans

Our product applications will continue to expand through new technology and innovation. We are currently enjoying a stable growth phase and will continue to offer new products and acquire new markets for better margins, in an effort to sustain the growth trend. We plan to use bank loans to support our operational needs and strengthen the financial structure.

### III. Cash Flow

#### (I) Cash Flows Analysis for 2014 and 2015

Analysis unit: In NT\$ Thousand; %

| Year<br>Item   | 2014      | 2015      | Increase<br>(decrease)<br>amount | Increase<br>(decrease)<br>percentage % |
|--|-----------|-----------|----------------------------------|--|
| Operating activities   | 775,758   | 957,154   | 181,396                          | 23.38%                                 |
| Investing activities   | (722,741) | (408,910) | 313,831                          | (43.42%)                               |
| Financing activities   | 291,861   | (321,371) | (613,232)                        | (210.11%)                              |
| Difference analysis:<br>1. Operating activities: Operation cash inflow increased as a result of revenue growth and lower inventory.<br>2. Investing activities: Lower of net cash outflow in investment activities is attributed to the newly acquired production plants and facilities are less than in 2014.<br>3. Financing activities: Increase in cash inflow from financing activities is attributed to the issuance of convertible bonds in 2014, issuance of common stock for cash and additional long-term borrowing. Cash outflow due to issuance of cash dividends. |           |           |                                  |  |

#### (II) Cash Liquidity Analysis and Plans to Improve Liquidity for 2016.

1. 2016 projected cash flows analysis
  - (1) Operating activities: The Company estimates a net cash outflow on regular purchase on inventory, salary payment and other operating expenses.
  - (2) Investing activities: The Company estimates a facility upgrades and investment expenditure.
  - (3) Financing activities: The Company estimates a net cash outflow from debt repayment and cash dividend distribution.
2. Plan for potential negative liquidity: Supported by bank loans.

### IV. Major Capital Expenditures and Impact on Finance and Business in 2015

There was no major capital expense as higher than NT\$ 100 million in 2015.

### V. Investment Policies, Reasons for Gains (Loss), Plans for Improvement, and Future Investment Plans

#### (I) Investment Policies

The Company's current investment policy mainly targets on businesses related to connectors. The investment plan is analyzed and evaluated for its

potential benefit to the Group and then executed by corresponsive departments according to the internal control policies, which included “Investment Cycle”, “Administrative Measures on Governing subsidiaries”, “Administrative Measures on related party Transactions” and “Procedures on Acquisition or Disposal of Assets”. The Measures and Procedures shall be approved by the Board of Directors or the Shareholders’ Meeting.

(II) Reasons for Gains or Losses from Long-term Investments in 2016

The Company plans to reinvest in manufacturing capabilities in China due to relative cheaper costs of labour and production. Concurrently, the Company plans to continue to establish and fortify its presence in the United States, Ireland, Malaysia, Japan, India, and other locations with potential customers in order to provide global support to its customers, leading to future profits.

(III) Investment Plans in 2016

The Company’s investment plans in 2016 is to establish new business units base on its business need and any investment plans are subjected to the assessment and evaluation from management team of the Group in accordance with related measures and procedures.

## VI. Analysis of Risk Items in 2014 and 2015 and Up to the Date of Annual Report

(I) Risks associated with interest and exchange rate fluctuations, inflation, and impact to the Company’s Profit and Preventive Actions:

1. Impact of interest rate fluctuations to the Company’s profit and preventive actions:

| Item / Year  | 2014    | 2015    |
|--|---------|---------|
| Net interest income (expense)                                      | 2,747   | (4,307) |
| Net interest income (expense) as a percentage of revenue           | 0.04%   | (0.05)% |
| Net interest income (expense) as a percentage of COGS and expenses | (0.04%) | 0.06%   |

Net interest expense in 2015 was NT\$4,307 thousands, or 0.05% of the revenue or 0.06% of COGS and expenses. Interest rate fluctuations had minimal impact to the Company, as the net interest expense to revenue, COGS and expenses were immaterial.

## 2. Exchange rate fluctuations

| Item / Year  | 2015    |
|--|---------|
| Net foreign exchange (loss) gains                                      | 193,790 |
| Net foreign exchange (loss) gains as a percentage of revenue           | 2.30%   |
| Net foreign exchange (loss) gains as a percentage of COGS and expenses | (2.54%) |

Most of the sales were made to Europe and America regions and were dominated primary in US dollars and few in Euros. Sales in China were dominated in RMB. The Company hedges risk from management team by closely monitoring the market trend and professional opinion from financial institution when the fluctuation is immaterial. When the exchange rate fluctuates intensively, the Company will consider to use risk-free hedging tool, followed by closely monitoring foreign currency position and exchange rate to minimize its impact. Our financial hedge strategy is mainly to avoid fluctuations on fair value and risk of cash flows. As the result of our operation, foreign exchange losses for 2014 and 2015, respectively, was NT\$ 51,004 thousands and NT\$193,790 thousands, or 0.68% and 2.30% to revenue, and had limited impact to the financial status. To minimize the impact of currency fluctuation to the Company's profitability, there are preventive actions to take:

- A. Open foreign currency accounts to manage foreign currency position and dispose foreign currency when time is appropriate; or use foreign currencies received from sales to pay for purchases dominated in foreign currencies to limit the impact of currency fluctuations to Company's profitability.
- B. Finance personnel are required to make judgment to future exchange rate trend to determine the appropriate foreign currency position to reduce the impact of currency fluctuation to the Company's profitability.
- C. To sell or purchase foreign currency forward to hedge risk according to the changes and demands of foreign currency market in order to minimize the impact of currency fluctuations to the Company's profitability.

## 3. Inflation

According to IMF's World Economic Outlook in January 2016, global economic growth in 2016 was about 3.2%. 2016 Inflation in major economies will be higher than that in 2015.

The price of our product is mostly affected by the price of copper, one of the key components. Most of time, the price of material can be reflected in our selling price. To prevent possible cost fluctuations due to sharp uprising on copper price, the Company will purchase the material in advance when the price of commodity is surging or adjust purchasing strategy and trading term to reduce the price impact from the commodity. As summarize, no immediate significant impact from the inflation or deflation risks described above.

- (II) Investment policy and reasons for gains & losses for high-risk/high-leverage financial products, derivatives, loans to others and guarantees of debts



The Company is committed to maintain steadiness and integrity as its core value of operations. Up to the date of Annual Report, the company was not involved in any high risk or high leverage financial transactions. The Company has established “Procedures on Lending to Others” and “Procedures on Making Endorsement and Guarantee” to ensure process for the matters. For forwards transaction used to hedge foreign currency risk, the Company has set up “Procedures on Acquisition or Disposal of Assets,( including derivative products)”. Up to the date of Annual Report, no endorsement, guarantee, or loans were made to parties outside of the Group.

(III) Future Research & Development Plans and Estimated expenses:

The Company’s future R&D plans are as follows:

We focus on connecting technologically complex products. Our major R&D projects include:

1. Expand development of USB Type-C interface related accessories and equipment
2. Develop high-speed and highly reliable connecting cables
3. Strengthen, develop, and expand electric vehicle product portfolio
4. Continued investment in R&D of photovoltaic equipment, components, and cables

| Products                           | Unit<br>(thousand NTD) | Applications                         |
|------------------------------------|------------------------|--------------------------------------|
| USB Type-C Products                | 53,316                 | Related R&D facilities and equipment |
| High-speed cables                  | 24,765                 | Medical and servers                  |
| Electric Vehicle related equipment | 6,066                  | Development and Certifications       |
| Solar power sets and peripherals   | 5,884                  | Solar power sets and peripherals     |

(IV) Impacts to the Company’s Finance l Associated with Major Changes in International and Domestic Policies and Laws, and Preventive Actions:  
None.

(V) Impacts to the Company’s finance Associated with Changes in Technology and Industry, and Preventive Actions:

Our product portfolio caters to many industries. This product diversity allows us to hedge our risks and mitigate the effects of volatile markets. To maintain industry leadership, we closely monitor changes in technology and continue our R&D efforts.

(VI) Impacts to the Company’s Crisis Management from changes in Corporate Image, and Preventive actions:

Our corporate policies mirror our values: "honesty, truth, customer-centric service, teamwork, and environmental protection." Operating under these policies has led to industry-wide recognition and a positive image. On corporate governance, we are under the supervision of Taiwan Stock

Exchange and related authorities. In addition strategies for our core businesses focus on maintaining a steady financial structure with a positive and transparent image.

(VII) Expected Benefits and Risks from Merger and Acquisition and Preventive Actions:

The Company had no plans for any merger and acquisition up to the publication date. There is no guarantee of positive impact should the Company involved in future merger and acquisition. Such transaction could distract the Company's core business, change to its corporate culture and lose qualified employees, which could bring adverse consequence to the Company's operations. However, the Company will ensure any future merger & acquisition will be executed with managers' discreet assessment and shareholders' special approval as prescribed in the Company's Articles of Association, in order to minimizing negative impacts.

(VIII) Expected Benefits and Risks from Capacity expansion and Preventive Actions:

|                    |  |
|--------------------|--|
| Expected benefits  | 1. Expand current production scale.<br>2. Expand production sites according to the growth of orders and demand of customers, as well as advantage/disadvantage of production cost. |
| Potential risks    | 1. Negative liquidity impact due to huge amount on investment.<br>2. Capacity is not utilized as expected.   |
| Preventive actions | Replace phase-out production equipment gradually or relocate production equipment to utilize capacity in order to minimize investment risks.                                       |
|                    | Establish competitive overseas production sites to utilize production capacity, and proper control over production cost.   |

(IX) Risks from Purchase or Sales Concentrations and Preventive Actions:

1. Purchase concentration risk

Changes of purchase between 2014 and 2015 were mainly due to changes of the Company's product mix, purchase prices and shipping terms. Moreover, due to ample sources of suppliers available in the market, the Company was able to maintain a diversified vendor base. No key material or goods was accounted for more than 30% of purchase in 2015; thus there was no specific vendor or affiliates has provided more than 70% key material or goods to the Company in 2015. There was no single vendor contributed more than 7% purchase to the Company between 2014 and 2015, which indicated the purchase concentration risk was limited.

2. Sales concentration risk

Sales of the top one customer to total sales was 9.78% and 9.17% in 2014 and 2015, respectively, while the top ten customers made up 52.56% and 57.06% of total sales in 2014 and 2015, respectively, which indicated sales concentration risk is limited. Moreover the Company is striving to develop new products, such as motor wires, medical cable, solar junction box, etc. to diversify the customer base and to minimize such risk.

- (X) Impact and Risks from Significant Changes in Shareholdings Directors, Supervisors, or Major Shareholders Who Own 10% or More of the Company's Shares, and Preventive Actions:  
Up to the date of this annual report, no single director or major shareholders had transferred more than 10% of his/her holdings, therefore, such a risk was limited.
- (XI) Impact and Risks from changes in Management Control and Preventive Actions:  
Up to the date of publication, no incidence associated with change of management control. Moreover, the Company is in the process to strengthen corporate governance, hire independent directors and establish the audit committee to better facilitate shareholders' rights. Also, the existing management team is well supported by the shareholders. If any changes in management control, it will not impact the continuity of advantage of management and operations.
- (XII) Litigations or Non-litigious Matters
1. Litigation and non-litigation matters of the Company and its subsidiaries: None.
  2. Directors, Supervisors, General Managers, In-charge Personnel, Major shareholders with more than 10% of shareholding and subsidiaries should be disclosed. Lawsuits that may significantly affect the shareholders' equity or the stock price of the Company, the disclosure should include the factual accounts of the case, the underlying amount, the commencement date of judiciary proceeding, involved parties, and the current status of the case as of the date of this annual report: None.
- (XIII) Other Significant Risks and the Preventive Actions as of the Date of this Annual Report:
1. For other major operating risks and the remedial actions, please refer to pages 66 to 70 of this annual report for favorable/unfavorable factors associated with future development and remedial actions and measures.
  2. Risks associated with patent violation: As international competition getting fierce under the global economy, pattern infringement lawsuit has become a competing strategy adopted by the industry practice. Moreover, there are increasing amount of patent trolls using all sorts of means to take advantage from companies in the industry. This means our chance to face such charges from either competitors or patent trolls are increasing along the development of the business. Despite a unit specialized on the application and management of our patents and trademarks have been set, there is no guarantee that our intellectual property will not free from trespass from others.
  3. Circumstances that may not have sufficient protection: We believe there are risks and hazards that cannot be fully warranted under the current management, including machinery malfunction, damage and abnormality, belated delivery of facility orders, capacity limitation, labor strike, fire accidents, natural disasters from earthquakes, typhoons, climate changes and occupational accidents. These could bring significant adversity to our Group. The Group has purchased insurance to cover our fixed assets and inventories based on the circumstances of the location of the operating

sites. However, we are aware of these protections might not be sufficient under extreme incidents and the Group's operation might be affected un-favorably.

## VII. Other Material Matters

### (I) Assessment Basis for Making Provision on Appraisals of Assets and Liabilities

| Item | Assets and liabilities under appraisal             | Assessment basis                      | Assessment foundation  |
|------|--|---------------------------------------|--|
| 1    | Bad debt provision                                 | Impairment loss assessment            | When there's objective evidence showing signs of impairment, assessment will be made from future cash flows received.<br>The impairment should be equal to the difference between the carrying amount of the financial assets and the present value of the cash flows discounted at the original effective rate.   |
| 2    | Allowance for inventory valuation and obsolescence | Lower of cost or net realizable value | Using lower of cost or net realizable value to determine value for inventories under its respective category.<br>Net realizable value is computed from: estimated selling price –additional cost needed to finish the product – cost of selling.<br>Weighted averages method is used to account cost of inventory.   |
| 3    | Financial assets and liabilities                   | Fair Value                            | <p>Financial assets at fair value through profit or loss</p> <ol style="list-style-type: none"> <li>1. Derivative instruments used for trading: The fair value of the asset is determined through the deduction of observable direct value (the market price) and indirect value (deduced from the market price).</li> <li>2. Non-derivative instrument used for trading: The fair value is determined through quote price from the active market for the same asset category (un-adjusted).</li> </ol> <p>Financial liabilities at fair value through profit or loss</p> <ol style="list-style-type: none"> <li>1. Derivative instruments used for trading: The fair value of the liability is determined through the deduction of observable direct value (the market price) and indirect value (deduced from the market price).</li> <li>2. Convertible bond embedded with option: The fair value of the liability is determined through the deduction of observable direct value (the market price) and indirect value (deduced from the market price).</li> </ol> |

### (II) Certificates received via the guidance of supervising authorities

The personnel related to financial transparency of the Company received related certificates via the guidance of supervising authorities are as the following:

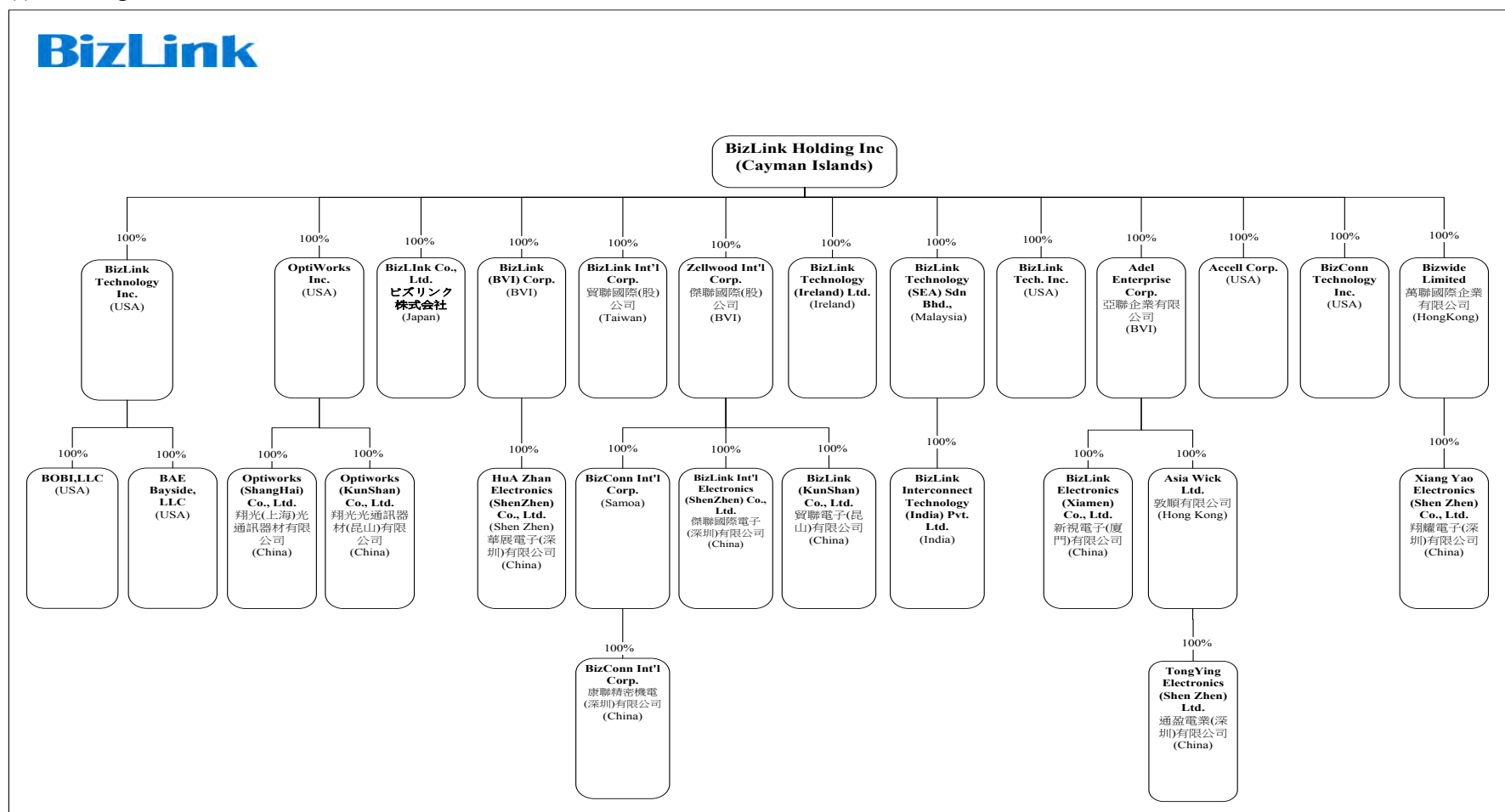
1. Certified Internal Auditor (CIA): 2 employee in internal audit dept.
2. Certified Public Accountant (CPA): 1 employee in finance dept.

3. Basic Ability Exams for Enterprise Internal Control: 2 employee in internal audit dept.

# Eight Special Notes and Others

## I. Affiliates' Information

### (I) Holding Structure



## (II) Relationship with the Company

December 31, 2014

| Name  | Holding % | Shares    | Amount (in thousands) | Relationship with the Company | Shares of the Company |
|---|-----------|-----------|-----------------------|-------------------------------|-----------------------|
| BIZLINK TECHNOLOGY INC.                                   | 100%      | 10,000    | USD 3,920             | Subsidiary                    | None                  |
| OPTIWORKS, INC.   | 100%      | 1,400     | USD 20,382            | Subsidiary                    | None                  |
| ビズリンク株式会社   | 100%      | 200       | JPY 10,000            | Subsidiary                    | None                  |
| BIZLINK (BVI) CORP.                                       | 100%      | 50,000    | USD 50                | Subsidiary                    | None                  |
| BIZLINK INTERNATIONAL CORP.                               | 100%      | 70,000    | NTD 70,000            | Subsidiary                    | None                  |
| ZELLWOOD INTERNATIONAL CORPORATION                        | 100%      | 2,500,000 | USD 2,500             | Subsidiary                    | None                  |
| BIZLINK TECHNOLOGY (IRELAND) LTD.                         | 100%      | 300,000   | USD 300               | Subsidiary                    | None                  |
| BIZLINK TECHNOLOGY (S.E.A.) SDN. BHD.                     | 100%      | 1,200,000 | MYR 1,200             | Subsidiary                    | None                  |
| BIZLINK TECH, INC.  | 100%      | 60,000    | USD 3,050             | Subsidiary                    | None                  |
| ADEL ENTERPRISES CORPORATION                              | 100%      | 1,650,000 | USD 1,650             | Subsidiary                    | None                  |
| ACCELL CORPORATION  | 100%      | 10,000    | -                     | Subsidiary                    | None                  |
| BIZCONN TECHNOLOGY INC.                                   | 100%      | -         | -                     | Subsidiary                    | None                  |
| BIZWIDE LIMITED   | 100%      | 10,000    | -                     | Subsidiary                    | None                  |
| OPTIWORKS (SHANGHAI) CO., LTD.                            | 100%      | Note 1    | USD 6,000             | Sub- subsidiary               | None                  |
| OPTIWORKS (KUNSHAN) CO., LTD.                             | 100%      | Note 1    | USD 3,000             | Sub- subsidiary               | None                  |
| HUAZHAN ELECTRONICS (SHENZHEN) CO., LTD.                  | 100%      | Note 1    | HKD 2,500             | Sub- subsidiary               | None                  |
| BIZCONN INTERNATIONAL CORPORATION                         | 100%      | 1,666,667 | USD 1,667             | Sub- subsidiary               | None                  |
| BIZLINK INTERNATIONAL ELECTRONICS (SHENZHEN) CO., LTD.    | 100%      | Note 1    | USD 3,000             | Sub- subsidiary               | None                  |
| BIZLINK (KUNSHAN) CO., LTD.                               | 100%      | Note 1    | USD 10,000            | Sub- subsidiary               | None                  |
| BIZLINK INTERCONNECT TECHNOLOGY (INDIA) PRIVATE (LIMITED) | 100%      | 100,000   | INR 1,000             | Sub- subsidiary               | None                  |
| BIZLINK ELECTRONICS (XIAMEN) CO., LTD.                    | 100%      | Note 1    | USD 560               | Sub- subsidiary               | None                  |
| ASIA WICK LTD.  | 100%      | 1,000     | -                     | Sub- subsidiary               | None                  |
| XIANGYAO ELECTRONICS (SHENZHEN) CO., LTD.                 | 100%      | Note 1    | USD 1,000             | Sub- subsidiary               | None                  |
| BIZCONN (SHENZHEN) INTERNATIONAL CORP.                    | 100%      | Note 1    | CNY 17,600            | Third-tier subsidiary         | None                  |
| TONGYING ELECTRONICS (SHENZHEN) LTD.                      | 100%      | Note 1    | HKD 29,936            | Third-tier subsidiary         | None                  |
| BAE BAYSIDE ,LLC  | 100%      | Note 1    | USD 1,400             | Sub- subsidiary               | None                  |
| BOBI ,LLC   | 100%      | Note 1    | USD 400               | Sub- subsidiary               | None                  |

Note 1: No shares or par value was issued for a limited company

## (III) Information on investments by the company

Please refer to p.119 through p.189.



**II. Private placement securities in 2015 and as of the date of this annual report**

None.

**III. Shares of the Company acquired, disposed of, and held by subsidiaries in 2015 and as of the date of this annual report**

None.

**IV. Other Necessary Supplements**

None.

**V. Occurrence, in 2015 and as of the date of this annual report, of matters that significantly affected the shareholders' equity or the stock price of the Company as described under Article #36-3-2 of the Securities and Exchange Act**

None.

## VI. Exercising shareholders' rights

Differences between the Company's Articles of Association and ROC's Shareholders' Rights Protection Guidelines:

|   | Shareholders' Rights Protection Guidelines   | Regulations in "Company Act" or "Securities Exchange Act" | Reasons of Deviation  |
|---|--|---|---|
| 1 | <p>Shareholder who has continuously held 3% or more of the total outstanding shares for over one year may request the Directors, in a written proposal with discussion topics and the reasons, to convene an extraordinary general meeting.</p> <p>If the Directors do not within fifteen days from the date of the deposit of the requisition dispatch the notice of an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting with the approval from government.</p> | Company Act, Article #173-1 and #173-2                    | <p>Per item 2-3 in letter #0991701319 issued by Taiwan Stock Exchange on April 13, 2010, a foreign issuer shall stipulate on its Articles of Association the right of minority shareholders to convene an extraordinary general meeting without clauses of government approvals, if no conflicts to the laws of registration countries.</p> <p>Thus, the Company's Articles of Association #16.8 states that "If the Directors do not within fifteen days from the date of the deposit of the requisition dispatch the notice of an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting in accordance with the Applicable Public Company Rules."</p> |
| 2 | In case the procedure for convening a general meeting or the method of adopting resolutions is against the law or the company's Articles of Association, shareholders may enter a petition in a court for annulment of such resolution and designate The Taipei District Court as the first instance to exercise jurisdiction.   | Company Act, Article #189                                 | The Company's Articles of Association #18.7 states "Nothing in the Articles shall prevent any Member from issuing proceedings in a court of competent jurisdiction for an appropriate remedy in connection with the improper convening of any general meeting or the improper passage of any resolution. The Taipei District Court, R.O.C., shall be the court of the first instance for adjudicating any disputes arising out of the foregoing."   |

|   | Shareholders' Rights Protection Guidelines   | Regulations in "Company Act" or "Securities Exchange Act"  | Reasons of Deviation   |
|---|--|--|--|
|   |  |  | This deviates slightly from what is listed in Shareholders' Rights Protection Guidelines. What listed there is shareholder's annulment right de jure, which is not achievable under our Articles of Association without enforcement of the law. Although slightly different, the Company's Articles of Association #18.7 does not restrict a shareholder to seek for remedy via court actions. And the court (any court with jurisdiction, could be a Taiwan or Cayman court) shall decide whether it will annul the conveying procedure or the method of adopting resolutions or determine any violation of regulation or of shareholder resolution under the Articles of Association, based on the applicable laws. The deviation stemmed from the nature of shareholders' right to annul. The Company's Articles of Association does not restrict a shareholder to seek for remedy via court actions. |
| 3 | The following proposals concerning great interest of the shareholders, shall only be carried out with the consent of a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting is less than the percentage of the total shareholdings required stated previously, the proposal shall only be carried out with the consent of two-third of the voting rights exercised by the shareholders present at the shareholders' meeting | <ol style="list-style-type: none"> <li>1. Company Act, Article #185</li> <li>2. Company Act, Article #209</li> <li>3. Company Act, Article #227</li> <li>4. Company Act, Article #277</li> <li>5. Company Act, Article #240-1</li> </ol> | <ol style="list-style-type: none"> <li>1. The Company's Articles of Association #1.1<br/>(1) As stipulated under the Company's Articles of Association,<br/>Per the Company's Articles of Association #1.1, a special resolution means a resolution passed by a majority of not less than two thirds of votes cast by such Members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as special</li> </ol>   |

|  | <b>Shareholders' Rights Protection Guidelines</b>  | <b>Regulations in<br/>"Company Act" or<br/>"Securities Exchange<br/>Act"</b>  | <b>Reasons of Deviation</b>   |
|--|--|---|---|
|  | <p>who represent a majority of the outstanding shares of the Company.</p> <ol style="list-style-type: none"> <li>1. The Company entering into, modifying, or terminating any contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others; transferring the whole or any essential part of its business or assets; or accepting the transfer of another's whole business or assets, which has great bearing on the business operation of the company.</li> <li>2. Changes of Articles of Association</li> <li>3. Resolution is required from a preferred shareholders' meeting, if the change will put shareholders of preferred shares at a disadvantage</li> <li>4. Issuing new shares as the whole or part of dividend or bonus appropriations</li> <li>5. A resolution for dissolution, consolidation or merger, or split of the Company</li> <li>6. Private equity placement</li> </ol> | <ol style="list-style-type: none"> <li>6. Company Act, Article #316</li> <li>7. Securities Exchange Act, Article #43-6</li> </ol> | <p>resolution has been duly given (the meeting notice shall indicate the special resolution when proxy is allowed). Cayman Islands legal opinion #3.13 states that "matters that are subject to sanction of a special resolution under the Companies Law, including but not limited to (i) change of the Company's name; (ii) alteration or addition to the memorandum and articles of association of the Company; (iii) alteration or addition to the memorandum with respect to any objects, powers or other matters specified therein (iv) reduction of the Company's share capital and any capital redemption reserve fund; and (v) voluntary winding up for reasons other than its inability to pay its debts when they fall due." Moreover, the Company's Articles of Association #18.1 specifies that "no business shall be transacted at any general meeting unless a quorum is present. Unless otherwise provided in the Articles, Members present in person or by proxy, representing more than one-half of the total outstanding Shares, shall constitute a quorum for any general meeting." That is, attendance of shareholders or their representatives, representing a majority of outstanding shares, shall constitute the legal requirement of presentation. This means a special resolution will only be adopted with the attendance of shareholders or their representatives who representing a majority of outstanding shares and the consent from</p> |

|  | Shareholders' Rights Protection Guidelines | Regulations in "Company Act" or "Securities Exchange Act" | Reasons of Deviation   |
|--|--|---|--|
|  |  |   | <p>two-third of these voting rights.</p> <p>(2) Reason of deviation</p> <p>According to Cayman Islands legal opinion, special resolution is a regulated by Companies Law of Cayman Islands. Also any special-resolution matter shall be adopted by the shareholders in accordance with the Articles of Association of the Company. Any related matters approved with an arrangement short of the legal requirement of Cayman Company Law is deem void. Therefore as to special resolution (Supermajority Resolution) matters listed in both Shareholders' Rights Protection Guidelines and the Cayman Islands Companies Law, the Company follows Cayman Islands Companies Law to retain these matters in the special resolution category, and make an additional chapter for "Supermajority Resolution" under the Company's Articles of Association for those listed in Shareholders' Rights Protection Guidelines but not in Cayman Islands Companies Law.</p> <p>2. The Company's Articles of Association #14.3</p> <p>(1) As stipulated under the Company's Articles of Association,</p> <p>Per the Company's Articles of Association #14.3, Subject to the provisions of the Statute, the provisions of these Articles, and the quorum</p> |

|  | Shareholders' Rights Protection Guidelines | Regulations in<br>"Company Act" or<br>"Securities Exchange<br>Act" | Reasons of Deviation   |
|--|--|--|--|
|  |  |  | <p>requirement under the Applicable Public Company Rules, with regard to the dissolution procedures of the Company, the Company shall pass (a) an Ordinary Resolution, if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due; or (b) a Special Resolution, if the Company resolves that it be wound up voluntarily for reasons other than the reason stated in Article 14.3(a) above. This is different from the Shareholders' Rights Protection Guidelines. The Company's Articles of Association prescribes the types of resolution to dissolve to the nature of the triggers. All resolutions to dissolve under the Shareholder Rights Protection Guidelines will only be adopted through "Special Resolution (Supermajority Resolution)."</p> <p>(2) Reason of deviation:</p> <p>According to Cayman Islands legal opinion, to dissolve the Company voluntarily the decision should be approved through special resolution when non-insolvency event occurs and through regular resolution when insolvency event occurs. The difference is raised by the specification of Cayman Islands Companies Laws. Although the presenting shareholding is lower than the requirements per the Shareholders' Right Protection Guidelines for volunteer dissolution under an insolvency event, the</p> |

|   | <b>Shareholders' Rights Protection Guidelines</b>   | <b>Regulations in<br/>"Company Act" or<br/>"Securities Exchange<br/>Act"</b> | <b>Reasons of Deviation</b>   |
|---|---|--|---|
|   |   |  | regulation is raised by the specification of Cayman Islands Companies Laws and only applies on specific circumstance.   |
| 4 | In case a director has, in the course of performing his/her duties, committed any act resulting in material damages to the company or in serious violation of applicable laws and/or regulations, but not discharged by a resolution of the shareholders' meeting, the shareholders holding 3% or more of the total number of outstanding shares of the company may, within 30 days after that shareholders' meeting, institute a lawsuit in the court for a judgment in respect of such matter and designate Taipei District Court as the first instance to exercise jurisdiction. | Company Act, Article #200  | <p>1. As stipulated under the Company's Articles of Association:</p> <p>According to the Company's Articles of Association #28.2 (i), in the event that he has, in the course of performing his duties, committed any act resulting in material damage to the Company or in serious violation of applicable laws and/or regulations or the Memorandum and the Articles, but has not been removed by the Company pursuant to a Supermajority Resolution vote, then any Member(s) holding 3% or more of the total number of outstanding Shares shall have the right, within thirty days after that general meeting, to petition any competent court for the removal of such Director, at the Company's expense and such Director shall be removed upon the final judgement by such court. For clarification, if a relevant court has competent jurisdiction to adjudicate all of the foregoing matters in a single or a series of proceedings, then, for the purpose of this paragraph (i), final judgement shall be given by such competent court. This is different from the Shareholders' Rights</p> |

|   | Shareholders' Rights Protection Guidelines  | Regulations in "Company Act" or "Securities Exchange Act" | Reasons of Deviation  |
|---|---|---|---|
|   |   |   | <p>Protection Guidelines.</p> <p>2. Reasons of deviation:</p> <p>As a Cayman Islands court will not acknowledge a foreign verdict involved a monetary judgment without a substantive examination. Therefore, even if the following Shareholders' Rights Protection Guidelines were included in the Company's Articles of Association and a court with jurisdiction has made such a verdict to a director, the Cayman Islands court may not agree the judgment nor execute the sentence. Therefore, the shareholders shall institute the lawsuit to a court with jurisdiction, as stipulated under the Company's Articles of Association. The deviation arises from Cayman laws' position toward foreign verdicts. Regardless, shareholders are able to dismiss any director via procedures prescribed in the Company's Articles of Association.</p> |
| 5 | <ol style="list-style-type: none"> <li>Supervisors of a company shall be elected by the meeting of shareholders, among them at least one supervisor shall have a domicile within the territory of the Republic of China.</li> <li>The term of office of supervisors shall not exceed three years, but supervisors eligible for re-election.</li> <li>In case all supervisors of a company are discharged, the board of directors shall convene the extraordinary meeting of shareholders for election of supervisors</li> </ol> | Company Act, Articles #216~#222                           | According to Article 28-4-2 under Taiwan Stock Exchange Corporation's Rules Governing Review of Securities Listings, a foreign issuer shall implement either an audit committee or supervisors. The Company has established a audit committee formed by independent directors. Therefore, these particular guidelines are not stipulated in the Company's Articles of Association.  |



|  | <b>Shareholders' Rights Protection Guidelines</b>   | <b>Regulations in<br/>"Company Act" or<br/>"Securities Exchange<br/>Act"</b> | <b>Reasons of Deviation</b> |
|--|---|--|-----------------------------|
|  | <p>within 60 days.</p> <p>4. Supervisors shall supervise the execution of business operations of the Company, and may at any time or from time to time investigate the business and financial conditions of the company, examine the accounting books and documents, and request the board of directors or managerial personnel to make reports thereon.</p> <p>5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the board of directors, and shall make a report of their findings and opinions at the meeting of shareholders.</p> <p>6. In performing their functional duties under the preceding Paragraph, the supervisors may appoint a certified public accountant to conduct the auditing in their behalf.</p> <p>7. Supervisors of a company may attend the meeting of the board of directors to their opinions. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of the laws, regulations, the Articles of Incorporation or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, to the board of directors or the director, as the case may be, to cease such act.</p> <p>8. Supervisor may each exercise the supervision power</p> |  |                             |

|   | Shareholders' Rights Protection Guidelines  | Regulations in "Company Act" or "Securities Exchange Act" | Reasons of Deviation  |
|---|---|---|---|
|   | <p>individually.</p> <p>9. A supervisor shall not be concurrently a director, a managerial officer or other staff/employee of the company.</p>  |   |   |
| 6 | <p>Shareholder who has continuously held 3% or more of the total outstanding shares for over one year may request the Company supervisors in a writing to institute, for the company, an action against a director of the company with Taipei District Court as the first instance to exercise jurisdiction.</p> <p>If the Supervisors do not within thirty days from the date of the deposit of the requisition to institute an action against the directors, the requisitionists may themselves institute an action for the company with Taipei District Court as the first instance to exercise jurisdiction.</p>  | Company Act, Articles #200, #214 and #227                 | According to Article 28-4-2 under Taiwan Stock Exchange Corporation's Rules Governing Review of Securities Listings, a foreign issuer shall implement either an audit committee or supervisors. The Company has established an audit committee formed by independent directors. Therefore, these particular guidelines are not stipulated in the Company's Articles of Association.   |
| 7 | <p>1. During his or her term in office, if a director or supervisor of the Company transfers more than half of the total shares owned by such person at the beginning of his term of office, such person shall be automatically removed from his position.</p> <p>2. If any new director or supervisor elect has, before his or her inauguration of the office of director, assigned transfers more than one-half of the total number of shares of the company he or she holds at the time of his or her election, or had transferred more than one-half of the total number of shares he or she held during the book closure period fixed prior to the</p> | Company Act Article# 197 and #227                         | <p>The Companies Law of Cayman Islands makes no stipulation on director shareholding (neither before nor after election) in a Cayman Islands company. As such all the related matters and restriction shall be regulated under the Company's Articles of Association.</p> <p>Shareholder right protection issues related to directors listed on the left are the newly added clauses by TWSE on November 10, 2014. The Company will have the amendments at 2015 general shareholders' meeting and</p> |

|  | Shareholders' Rights Protection Guidelines  | Regulations in "Company Act" or "Securities Exchange Act" | Reasons of Deviation   |
|--|---|---|--|
|  | shareholders' meeting, then his or her election as a director shall be nullified. |   | <p>list the clauses under Article#28 of the Company's Article of Association.</p> <p>According to Article #28-4-2 in Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings, "A foreign issuer shall install either an audit committee or supervisors. "The Company has established an audit committee formed by independent directors. Therefore, the shareholder interest protection matter on supervisor stated on the left is not stipulated under the Company's Articles of Association.</p> <p>The BVI Business Companies Act makes no stipulation regarding director shareholding (neither before nor after election) in a BVI company. As such all the related matters and restriction shall be regulated under the Company's Articles of Association.</p> <p>Shareholder right protection issues related to directors listed on the left are the newly added clauses from Taiwan Exchange on November 10, 2014. The Company will approve the amendments in 2015 general shareholders' meeting and list the clauses under Article#28 of the Company's Article of Association.</p> <p>According to Article 28-4-2 under Taiwan Stock</p> |

|  | <b>Shareholders' Rights Protection Guidelines</b> | <b>Regulations in<br/>"Company Act" or<br/>"Securities Exchange<br/>Act"</b> | <b>Reasons of Deviation</b>   |
|--|---|--|---|
|  |   |  | Exchange Corporation Rules Governing Review of Securities Listings, "A foreign issuer shall install either an audit committee or supervisors. "The Company has established a audit committee formed by independent directors. Therefore, the shareholder interest protection matter stated on the left is not stipulated under the Company's Articles of Association. |

## Nine Appendix- 2014 and 2015 Financial Statements

### **BizLink Holding Inc. and Subsidiaries**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
BizLink Holding Inc.

We have audited the accompanying consolidated balance sheets of BizLink Holding Inc. and its subsidiaries (collectively referred to as the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations of IFRS(IFRIC), and SIC Interpretations of IAS(SIC) endorsed by the Financial Supervisory Commission (FSC) of the Republic of China.

As disclosed in Note 3 to the financial statements, the Company has applied the 2013 version of the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments made on January 1, 2015 on the Regulations Governing the Preparation of Financial Reports by Securities Issuers and has disclosed the effects of the retrospective application of the IFRSs and the financial statement restatement resulting from the retrospective IFRS application.

Deloitte & Touche

March 15, 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. Also, as stated in Note 4 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.*

# BIZLINK HOLDING INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars)

| ASSETS   | 2015                |            | 2014                |            |
|--|---------------------|------------|---------------------|------------|
|  | Amount              | %          | Amount              | %          |
| <b>CURRENT ASSETS</b>  |                     |            |                     |            |
| Cash and cash equivalents (Notes 4 and 6)  | \$ 1,194,071        | 17         | \$ 1,200,453        | 18         |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7)          | 2,079               | -          | 3,047               | -          |
| Debt investments with no active market - current (Notes 4 and 9)                         | 312,943             | 5          | 311,923             | 5          |
| Notes receivable from unrelated parties (Notes 4 and 10)                                 | 13,035              | -          | 5,972               | -          |
| Trade receivables from related parties (Notes 4 and 32)                                  | 2,753               | -          | 6,673               | -          |
| Trade receivables from unrelated parties (Notes 4, 5 and 10)                             | 1,921,161           | 27         | 1,626,906           | 25         |
| Other receivables (Note 10)  | 25,240              | -          | 18,337              | -          |
| Current tax assets (Notes 4 and 25)  | 21,480              | -          | 5,047               | -          |
| Inventories (Notes 4, 5 and 11)  | 1,585,429           | 23         | 1,565,476           | 24         |
| Prepayments (Notes 16, 17 and 32)  | 137,425             | 2          | 163,480             | 3          |
| Other financial assets - current (Notes 4 and 33)  | 1,532               | -          | 1,811               | -          |
| Other current assets (Note 17)   | 46                  | -          | 46                  | -          |
| Total current assets   | <u>5,217,194</u>    | <u>74</u>  | <u>4,909,171</u>    | <u>75</u>  |
| <b>NON-CURRENT ASSETS</b>  |                     |            |                     |            |
| Financial assets measured at cost - non-current (Notes 4, 5 and 8)                       | 168,072             | 2          | 149,508             | 3          |
| Investments accounted for using equity method (Notes 4 and 13)                           | 3,799               | -          | 3,320               | -          |
| Property, plant and equipment (Notes 4, 5, 14 and 33)                                    | 1,318,067           | 19         | 1,192,576           | 18         |
| Other intangible assets (Notes 4 and 15)   | 94,875              | 1          | 104,444             | 2          |
| Deferred tax assets (Notes 4, 5 and 25)  | 84,432              | 1          | 64,697              | 1          |
| Long-term prepayments for lease (Notes 4 and 16)   | 12,516              | -          | 13,266              | -          |
| Other financial assets - non-current (Notes 4 and 33)                                    | 17,036              | -          | 17,609              | -          |
| Other non-current assets (Notes 17 and 32)   | 168,821             | 3          | 69,344              | 1          |
| Total non-current assets   | <u>1,867,618</u>    | <u>26</u>  | <u>1,614,764</u>    | <u>25</u>  |
| <b>TOTAL</b>   | <u>\$ 7,084,812</u> | <u>100</u> | <u>\$ 6,523,935</u> | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>  |                     |            |                     |            |
| <b>CURRENT LIABILITIES</b>   |                     |            |                     |            |
| Short-term borrowings (Notes 18 and 33)  | \$ 195,872          | 3          | \$ 78,829           | 1          |
| Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 19) | 41,600              | 1          | 33,230              | 1          |
| Notes payable to unrelated parties (Note 20)   | 21,386              | -          | 108                 | -          |
| Trade payables to unrelated parties (Note 20)  | 1,219,143           | 17         | 1,138,445           | 17         |
| Other payables (Note 21)   | 637,666             | 9          | 517,652             | 8          |
| Current tax liabilities (Notes 4 and 25)   | 101,297             | 2          | 95,838              | 1          |
| Current portion of long-term borrowings (Notes 18 and 33)                                | 14,163              | -          | 13,667              | -          |
| Other current liabilities (Note 21)  | 12,315              | -          | 35,498              | 1          |
| Total current liabilities  | <u>2,243,442</u>    | <u>32</u>  | <u>1,913,267</u>    | <u>29</u>  |
| <b>NON-CURRENT LIABILITIES</b>   |                     |            |                     |            |
| Bonds payable (Notes 4 and 19)   | 150,904             | 2          | 180,836             | 3          |
| Long-term borrowings (Notes 18 and 33)   | 291,058             | 4          | 294,539             | 5          |
| Net defined benefit liabilities - non current (Notes 4 and 22)                           | 2,809               | -          | 1,899               | -          |
| Deferred tax liabilities (Notes 4 and 25)  | 7,353               | -          | 2,101               | -          |
| Other non-current liabilities (Note 21)  | 3,217               | -          | 2,433               | -          |
| Total non-current liabilities  | <u>455,341</u>      | <u>6</u>   | <u>481,808</u>      | <u>8</u>   |
| Total liabilities  | <u>2,698,783</u>    | <u>38</u>  | <u>2,395,075</u>    | <u>37</u>  |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (Notes 4 and 23)</b>              |                     |            |                     |            |
| Capital stock  |                     |            |                     |            |
| Common shares  | 918,191             | 13         | 868,690             | 13         |
| Capital surplus  | 1,165,845           | 17         | 1,113,903           | 17         |
| Retained earnings  |                     |            |                     |            |
| Legal reserve  | 204,603             | 3          | 142,910             | 2          |
| Special reserve  | 298,638             | 4          | 298,638             | 4          |
| Unappropriated earnings  | 1,696,406           | 24         | 1,476,660           | 23         |
| Total retained earnings  | 2,199,647           | 31         | 1,918,208           | 29         |
| Other equity   | 102,346             | 1          | 228,059             | 4          |
| Total equity   | <u>4,386,029</u>    | <u>62</u>  | <u>4,128,860</u>    | <u>63</u>  |
| <b>TOTAL</b>   | <u>\$ 7,084,812</u> | <u>100</u> | <u>\$ 6,523,935</u> | <u>100</u> |

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

(With Deloitte & Touche audit report dated March 15, 2016)



# BIZLINK HOLDING INC. AND SUBSIDIARIES

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

|  | 2015             |            | 2014             |            |
|--|------------------|------------|------------------|------------|
|  | Amount           | %          | Amount           | %          |
| OPERATING REVENUE (Notes 4 and 32)                     |                  |            |                  |            |
| Sales  | \$ 8,416,972     | 100        | \$ 7,482,011     | 100        |
| OPERATING COSTS (Notes 11, 14, 24 and 32)              |                  |            |                  |            |
| Cost of goods sold                                     | <u>6,175,484</u> | <u>74</u>  | <u>5,398,517</u> | <u>72</u>  |
| GROSS PROFIT   | <u>2,241,488</u> | <u>26</u>  | <u>2,083,494</u> | <u>28</u>  |
| OPERATING EXPENSES (Notes 24 and 32)                   |                  |            |                  |            |
| Selling and marketing expenses                         | 427,450          | 5          | 405,492          | 6          |
| General and administrative expenses                    | 797,418          | 9          | 698,831          | 9          |
| Research and development expenses                      | <u>230,247</u>   | <u>3</u>   | <u>200,437</u>   | <u>3</u>   |
| Total operating expenses                               | <u>1,455,115</u> | <u>17</u>  | <u>1,304,760</u> | <u>18</u>  |
| PROFIT FROM OPERATIONS                                 | <u>786,373</u>   | <u>9</u>   | <u>778,734</u>   | <u>10</u>  |
| NON-OPERATING INCOME AND EXPENSES                      |                  |            |                  |            |
| Other income (Notes 4 and 24)                          | 52,615           | -          | 33,018           | 1          |
| Other gains and losses (Notes 4, 8 and 24)             | 141,871          | 2          | 16,899           | -          |
| Finance costs (Notes 19 and 24)                        | (16,006)         | -          | (11,084)         | -          |
| Share of profit or loss of associates (Notes 4 and 13) | <u>347</u>       | <u>-</u>   | <u>(184)</u>     | <u>-</u>   |
| Total non-operating income and expenses                | <u>178,827</u>   | <u>2</u>   | <u>38,649</u>    | <u>1</u>   |
| PROFIT BEFORE INCOME TAX FROM OPERATIONS               | 965,200          | 11         | 817,383          | 11         |
| INCOME TAX EXPENSE (Notes 4 and 25)                    | <u>(205,250)</u> | <u>(2)</u> | <u>(200,449)</u> | <u>(3)</u> |
| NET PROFIT FOR THE YEAR                                | <u>759,950</u>   | <u>9</u>   | <u>616,934</u>   | <u>8</u>   |

(Continued)

# BIZLINK HOLDING INC. AND SUBSIDIARIES

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

|   | 2015              |            | 2014              |            |
|---|-------------------|------------|-------------------|------------|
|   | Amount            | %          | Amount            | %          |
| OTHER COMPREHENSIVE INCOME  |                   |            |                   |            |
| Items that will not be reclassified subsequently to profit or loss:                                 |                   |            |                   |            |
| Actuarial gain and loss arising from defined benefit plans (Note 22)                                | \$ (880)          | -          | \$ (181)          | -          |
| Exchange differences arising on translation to the presentation currency (Note 23)                  | 152,777           | 2          | 218,783           | 3          |
| Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 25) | <u>149</u>        | <u>-</u>   | <u>31</u>         | <u>-</u>   |
|   | <u>152,046</u>    | <u>2</u>   | <u>218,633</u>    | <u>3</u>   |
| Items that may be reclassified subsequently to profit or loss:                                      |                   |            |                   |            |
| Exchange differences on translating foreign operations (Note 23)                                    | <u>(278,490)</u>  | <u>(3)</u> | <u>(73,274)</u>   | <u>(1)</u> |
| Other comprehensive income (loss) for the year, net of income tax                                   | <u>(126,444)</u>  | <u>(1)</u> | <u>145,359</u>    | <u>2</u>   |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR   | <u>\$ 633,506</u> | <u>8</u>   | <u>\$ 762,293</u> | <u>10</u>  |
| EARNINGS PER SHARE (Note 26)  |                   |            |                   |            |
| Basic   | <u>\$8.30</u>     |            | <u>\$6.93</u>     |            |
| Diluted   | <u>\$8.26</u>     |            | <u>\$6.80</u>     |            |

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

(With Deloitte & Touche audit report dated March 15, 2016)

(Concluded)

# **BIZLINK HOLDING INC. AND SUBSIDIARIES**

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

|   | Capital Stock | Capital Surplus | Retained Earnings |                 | Unappropriated Earnings | Other Equity   | Total Equity |
|---|---------------|-----------------|-------------------|-----------------|-------------------------|--|--------------|
|   |               |                 | Legal Reserve     | Special Reserve |                         | Exchange Differences on Translating Foreign Operations |              |
| BALANCE AT JANUARY 1, 2014  | \$ 797,967    | \$ 833,980      | \$ 86,553         | \$ 298,638      | \$ 1,355,115            | \$ 83,550  | \$ 3,454,803 |
| Issue of ordinary shares for cash (Note 23)   | 25,000        | 254,449         | -                 | -               | -                       | -  | 279,449      |
| Appropriation of the 2013 earnings (Note 23)  | -             | -               | -                 | -               | -                       | -  | -            |
| Legal reserve   | -             | -               | 56,357            | -               | (56,357)                | -  | -            |
| Cash dividends distributed by BizLink   | -             | -               | -                 | -               | (398,984)               | -  | (398,984)    |
| Share dividends distributed by BizLink  | 39,898        | -               | -                 | -               | (39,898)                | -  | -            |
| Recognition of employee share options by BizLink (Notes 4, 23 and 27)                     | -             | 5,384           | -                 | -               | -                       | -  | 5,384        |
| Issue of common shares under employee stock options (Notes 4, 23 and 27)                  | 5,825         | 20,090          | -                 | -               | -                       | -  | 25,915       |
| Net profit for the year ended December 31, 2014   | -             | -               | -                 | -               | 616,934                 | -  | 616,934      |
| Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax | -             | -               | -                 | -               | (150)                   | 145,509  | 145,359      |
| Total comprehensive income for the year ended December 31, 2014                           | -             | -               | -                 | -               | 616,784                 | 145,509  | 762,293      |
| BALANCE AT DECEMBER 31, 2014  | 868,690       | 1,113,903       | 142,910           | 298,638         | 1,476,660               | 228,059  | 4,128,860    |
| Appropriation of the 2014 earnings (Note 23)  | -             | -               | -                 | -               | -                       | -  | -            |
| Legal reserve   | -             | -               | 61,693            | -               | (61,693)                | -  | -            |
| Cash dividends distributed by BizLink   | -             | -               | -                 | -               | (434,345)               | -  | (434,345)    |
| Share dividends distributed by BizLink  | 43,435        | -               | -                 | -               | (43,435)                | -  | -            |
| Convertible bonds converted to common shares (Notes 4, 19 and 23)                         | 2,946         | 41,620          | -                 | -               | -                       | -  | 44,566       |
| Issue of common shares under employee stock options (Notes 4, 23 and 27)                  | 3,120         | 10,322          | -                 | -               | -                       | -  | 13,442       |
| Net profit for the year ended December 31, 2015   | -             | -               | -                 | -               | 759,950                 | -  | 759,950      |
| Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax | -             | -               | -                 | -               | (731)                   | (125,713)  | (126,444)    |
| Total comprehensive income for the year ended December 31, 2015                           | -             | -               | -                 | -               | 759,219                 | (125,713)  | 633,506      |
| BALANCE AT DECEMBER 31, 2015  | \$ 918,191    | \$ 1,165,845    | \$ 204,603        | \$ 298,638      | \$ 1,696,406            | \$ 102,346   | \$ 4,386,029 |

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

(With Deloitte & Touche audit report dated March 15, 2016)

# BIZLINK HOLDING INC. AND SUBSIDIARIES

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

|   | 2015       | 2014       |
|---|------------|------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |            |            |
| Income before income tax  | \$ 965,200 | \$ 817,383 |
| Adjustments for:  |            |            |
| Impairment loss recognized on accounts receivable   | 984        | 4,300      |
| Depreciation expenses   | 171,949    | 145,205    |
| Amortization expenses   | 18,459     | 16,804     |
| Amortization of prepayments for lease   | 321        | 392        |
| Share of loss (profit) of associates  | (347)      | 184        |
| Intangible assets transferred to expense  | -          | 735        |
| Net loss on fair value change of financial assets and liabilities<br>designated as at fair value through profit or loss | 18,866     | 24,442     |
| Interest expense  | 16,006     | 11,084     |
| Interest income   | (11,699)   | (13,831)   |
| Compensation cost of employee share options   | -          | 5,384      |
| Loss on disposal of property, plant and equipment   | 9,396      | 4,609      |
| Loss on disposal of intangible assets   | -          | 3          |
| Impairment loss recognized on financial assets measured at cost   | 19,043     | -          |
| Impairment loss of non-financial assets   | 38,937     | 19,705     |
| Net loss (gain) on foreign currency exchange  | 32,410     | (5,038)    |
| Changes in operating assets and liabilities   |            |            |
| Decrease in financial assets held for trading   | 12,345     | 11,755     |
| (Increase) decrease in notes receivable   | (7,051)    | 9,422      |
| (Increase) decrease in trade receivables  | (226,393)  | 145,817    |
| Decrease (increase) in trade receivable - related parties   | 4,021      | (3,675)    |
| (Increase) decrease in other receivables  | (6,025)    | 11,371     |
| Increase in inventories   | (19,954)   | (344,422)  |
| Decrease (increase) in prepayments  | 31,762     | (66,063)   |
| Decrease in other current assets  | 2          | 3          |
| Decrease in financial liabilities held for trading  | (14,923)   | (1,265)    |
| Increase in notes payable   | 20,553     | 108        |
| Increase in trade payables  | 37,676     | 108,293    |
| Increase in other payables  | 97,841     | 15,293     |
| Increase in accrued pension liabilities   | 30         | 192        |
| (Decrease) increase in other current liabilities  | (23,633)   | 23,822     |
| Cash generated from operations  | 1,185,776  | 942,012    |
| Interest received   | 11,699     | 13,831     |
| Interest paid   | (9,495)    | (8,149)    |
| Income tax paid   | (230,826)  | (171,936)  |
| Net cash generated from operating activities  | 957,154    | 775,758    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |            |            |
| Purchase of debt investments with no active market  | -          | (135,670)  |
| Proceeds on sale of debt investments with no active market  | 9,942      | -          |
| Purchase of financial assets measured at cost   | (31,738)   | (90,895)   |

(Continued)

# BIZLINK HOLDING INC. AND SUBSIDIARIES

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

|   | 2015                | 2014                |
|---|---------------------|---------------------|
| Payments for property, plant and equipment  | \$ (251,531)        | \$ (449,917)        |
| Proceeds from disposal of property, plant and equipment                                       | 3,805               | 2,583               |
| Payments for intangible assets  | (10,910)            | (10,565)            |
| Proceeds from disposal of intangible assets   | -                   | 74                  |
| Increase in refundable deposits   | (2,910)             | (2,113)             |
| Decrease in refundable deposits   | 1,587               | 3,738               |
| Increase in other non-current assets  | (9,521)             | -                   |
| Increase in prepayments for equipment   | <u>(117,634)</u>    | <u>(39,976)</u>     |
| Net cash used in investing activities   | <u>(408,910)</u>    | <u>(722,741)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |                     |
| Proceeds from issue of ordinary shares  | -                   | 280,500             |
| Proceeds from issue of convertible bonds  | -                   | 200,000             |
| Payments for transaction costs attributable to issue of debt instruments                      | -                   | (4,872)             |
| Payments for transaction costs attributable to issue of ordinary shares                       | -                   | (1,051)             |
| Proceeds from short-term borrowings   | 318,407             | -                   |
| Repayments of short-term borrowings   | (205,868)           | (26,107)            |
| Proceeds from long-term borrowings  | -                   | 224,712             |
| Repayments of long-term borrowings  | (13,679)            | (9,988)             |
| Proceeds from guarantee deposits received   | 672                 | 1,736               |
| Dividends paid to owners of Bizlink   | (434,345)           | (398,984)           |
| Proceeds from exercise of employee stock options  | <u>13,442</u>       | <u>25,915</u>       |
| Net cash (used in) generated from financing activities  | <u>(321,371)</u>    | <u>291,861</u>      |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br/>OF CASH HELD IN FOREIGN CURRENCIES</b> | <u>(233,255)</u>    | <u>(23,395)</u>     |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH<br/>EQUIVALENTS</b>                               | (6,382)             | 321,483             |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br/>YEAR</b>                             | <u>1,200,453</u>    | <u>878,970</u>      |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                       | <u>\$ 1,194,071</u> | <u>\$ 1,200,453</u> |

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

(With Deloitte & Touche audit report dated March 15, 2016)

(Concluded)

# **BIZLINK HOLDING INC. 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)**

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#### **1. GENERAL INFORMATION**

BizLink Holding Inc. (“BizLink”) was incorporated in Cayman Islands in June 2000. Major operating activities of BizLink include designing, manufacturing, and sales of cable assembly, connectors, power cord, fiber optical passive components and computer peripheral products.

BizLink’s shares have been listed on the Taiwan Stock Exchange since April 2011.

The functional currency of BizLink is U.S. dollars. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since BizLink’s stocks are listed on the Taiwan Stock Exchange.

#### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the board of directors on March 15, 2016.

#### **3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS 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 BizLink Holding Inc. and its subsidiaries (collectively referred to as the “Company”) should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

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

- 1) IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive, for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015. Refer to Note 31 for related disclosures.

2) 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 current IAS 1, there were no such requirements.

The Company 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 functional currency of financial statement converted to the exchange differences of reported currency. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (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 accounted for using the equity method. However, the application of the above amendments will not have 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.

3) Revision to IAS 19 "Employee Benefits"

The interest cost and expected return on plan assets used in current IAS 19 are 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.

The impact on current and previous periods is set out below:

| Impact on Current Period of Total Comprehensive Income                   | For the Year Ended December 31, 2015 | Explanation |
|--|--------------------------------------|-------------|
| Items that will not be reclassified to profit or loss:                   |                                      |             |
| Exchange differences arising on translation to the presentation currency | \$ 152,777                           | 2)          |
| Items that may be reclassified subsequently to profit or loss:           |                                      |             |
| Exchange differences on translating foreign operations                   | <u>(152,777)</u>                     | 2)          |
| Increase in other comprehensive income for the period, net of income tax | <u>-</u>                             |             |
| Increase in total comprehensive income for the period                    | <u>\$ -</u>                          |             |

The impact in the prior year is set out below:

|  | As Originally Stated | Adjustment of Initial Application | Restated   | Explanation       |
|--|----------------------|-----------------------------------|------------|-------------------|
| For the year ended December 31, 2014                                     |                      |                                   |            |                   |
| Items that will not be reclassified subsequently to profit or loss:      |                      |                                   |            |                   |
| Exchange differences arising on translation to the presentation currency | \$ -                 | \$ 218,783                        | \$ 218,783 | 2)<br>(Continued) |

|  | As Originally<br>Stated | Adjustment of<br>Initial<br>Application | Restated    | Explanation |
|--|-------------------------|---|-------------|-------------|
| Items that may be reclassified<br>subsequently to profit or loss:                  |                         |   |             |             |
| Exchange differences on translating<br>foreign operations                          | \$ 145,509              | \$ (218,783)                            | \$ (73,274) | 2)          |
| Total effect on total comprehensive<br>income for the period, net of income<br>tax | \$ 145,509              | \$ -                                    | \$ 145,509  |             |
| Total effect on total comprehensive<br>income for the period                       | \$ 762,293              | \$ -                                    | \$ 762,293  |             |
|  |                         |   |             | (Concluded) |

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

| New IFRSs   | Effective Date<br>Announced by IASB (Note 1) |
|---|--|
| 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<br>IFRS 9 and Transition Disclosures"                          | January 1, 2018                              |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets<br>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:<br>Applying the Consolidation Exception"                    | January 1, 2016                              |
| Amendment to IFRS 11 "Accounting for Acquisitions of Interests in<br>Joint Operations"                                      | January 1, 2016                              |
| IFRS 14 "Regulatory Deferral Accounts"  | January 1, 2016                              |
| IFRS 15 "Revenue from Contracts with Customers"   | January 1, 2018                              |
| IFRS 16 "Leases"  | January 1, 2019                              |
| Amendment to IAS 1 "Disclosure Initiative"  | January 1, 2016                              |
| Amendment to IAS 7 "Disclosure Initiative"  | January 1, 2017                              |
| Amendments to IAS 12 "Recognition of Deferred Tax Assets for<br>Unrealized Losses"  | January 1, 2017                              |
| Amendments to IAS 16 and IAS 38 "Clarification of Acceptable<br>Methods of Depreciation and Amortization"                   | January 1, 2016                              |
| Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"  | January 1, 2016                              |

(Continued)



| New IFRSs   | Effective Date<br>Announced by IASB (Note 1) |
|---|--|
| Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”                                 | July 1, 2014                                 |
| Amendment to IAS 27 “Equity Method in Separate Financial Statements”                                | January 1, 2016                              |
| Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets” | January 1, 2014                              |
| Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”                  | January 1, 2014                              |
| IFRIC 21 “Levies”   | January 1, 2014                              |
|   | (Concluded)                                  |

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

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

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

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

1) IFRS 9 “Financial Instruments”

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 Company’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 recognized in profit or loss, if any. 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 Company 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.

#### 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 Company 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.

#### 2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Company is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

#### 3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 “Share-based Payment” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Company or another entity in the same group or the market price of the equity instruments of the Company or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Company as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Company.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

#### 4) Annual Improvements to IFRSs: 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

#### 5) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

#### 6) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

#### 7) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application

#### 8) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Company expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Company should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Company’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

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

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 consolidated financial statements shall prevail. However, the consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the Financial Supervisory Commission (FSC) for their oversight purposes.

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs as endorsed by the Financial Supervisory Commission of the Republic of China.

##### 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; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. 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

Principles for preparing consolidated financial statements

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

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or 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 BizLink.

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 BizLink and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company'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 Company.

See Note 12 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 (i.e., 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.

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 Company and its foreign operations (including of the subsidiaries, associates or branches operating in other countries or currencies used are different from BizLink's currency) 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 BizLink and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Company'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 Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in BizLink 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, finished goods, work-in-process and merchandise 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 Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

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

When the Company 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 Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company'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 Company'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 Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Company'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 Company'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.

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 is deducted from the investment amount and the carrying amount of the investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence. 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 Company 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 Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

#### h. Property, plant and equipment

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

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. Intangible assets

1) Intangible assets acquired separately

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.

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss, with the resulting impairment loss recognized in profit or loss.

k. 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 held for trading.

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

Fair value is determined in the manner described in Note 31.

#### 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, held-to-maturity investments or financial assets at fair value through profit or loss.

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, debt investments with no active market and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and 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.

Financial assets carried at amortized cost, such as trades receivables, debt investments with no active market or other financial assets, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, 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.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as default or delinquency in interest or principal payments, it becomes probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

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. Trade receivables that are considered uncollectible are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

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

2) 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 BizLink'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 BizLink's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities at fair value through profit or loss, all the financial liabilities are measured at amortized cost using the effective interest method.

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

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 does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 31.

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

The conversion options component of the convertible bonds issued by the Company that will be settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the Company's own equity instruments is classified as derivative financial liabilities.

On initial recognition, the derivative financial liabilities component of the convertible bonds is recognized at fair value, and the initial carrying amount of the component of non-derivative financial liabilities is determined by deducting the amount of derivative financial liabilities from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liabilities component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liabilities component is measured at fair value and the changes in fair value are recognized in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the derivative financial liabilities component and the non-derivative financial liabilities component in proportion to their relative fair values. Transaction costs relating to the derivative financial liabilities component are recognized immediately in profit or loss. Transaction costs relating to the non-derivative financial liabilities component are included in the carrying amount of the liability component.

#### 5) Derivative financial instruments

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

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

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.

### I. 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. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous 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 Company has transferred to the buyer the significant risks and rewards of ownership of goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;

- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve 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 Company and the amount of income can be measured reliably.

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

## m. 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.

### The Company as lessee

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

## n. Government grants

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

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

## o. Employee benefits

### 1) Short-term employee benefits

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

### 2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. 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, (the effect of the changes to the asset ceiling) 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.

p. Employee share options

Employee share options granted to employees

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the employee share options is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Company 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.

q. Taxation

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

1) Current tax

For the subsidiaries incorporated within the territory of the Republic of China, 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 in the consolidated financial statements 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 carryforward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures 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, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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 Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be 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. Income taxes

As of December 31, 2015 and 2014, the carrying amount of the deferred tax assets in relation to unused tax losses was NT\$84,432 thousand and NT\$64,697 thousand, respectively. As of December 31, 2015 and 2014, no deferred tax asset has been recognized on the tax loss of NT\$314,299 thousand and NT\$272,679 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. 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 a reversal takes place.

b. Estimated impairment of accounts receivable and other receivables

When there is objective evidence of impairment loss, the Company 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.



The carrying amount of trade receivables and other receivables as of December 31, 2015 and 2014 was NT\$1,921,161 thousand and NT\$1,626,906 thousand, respectively (net of allowance for impairment loss NT\$12,997 thousand and NT\$12,246 thousand, respectively).

c. Fair value of financial instruments

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

Where Level 1 inputs are not available, the Company 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 Notes 31.

d. Impairment of property, plant and equipment

The impairment of equipment in relation to the production of fiber optical was based on the recoverable amount of those assets, which is the higher of fair value less costs to sell or value-in-use of those assets. Any changes in the market price or future cash flows will affect the recoverable amount of those assets and may lead to recognition of additional or reversal of impairment losses.

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.

## 6. CASH AND CASH EQUIVALENTS

|   | December 31         |                     |
|---|---------------------|---------------------|
|   | 2015                | 2014                |
| Cash on hand  | \$ 2,291            | \$ 1,494            |
| Checking accounts and demand deposits                         | 929,338             | 1,020,939           |
| Cash equivalent   |                     |                     |
| Time deposits with original maturities less than three months | <u>262,442</u>      | <u>178,020</u>      |
|   | <u>\$ 1,194,071</u> | <u>\$ 1,200,453</u> |

Interest rates for deposits in bank on the balance sheet date were as follows:

|         | December 31 |            |
|---------|-------------|------------|
|         | 2015        | 2014       |
| Deposit | 0.1%-6.6%   | 0.1%-4.24% |

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

|   | <u>December 31</u> |                  |
|---|--------------------|------------------|
|   | <u>2015</u>        | <u>2014</u>      |
| <u>Financial assets at FVTPL - current</u>                    |                    |                  |
| Financial assets held for trading                             |                    |                  |
| Derivative financial assets (not under hedge accounting)      |                    |                  |
| Foreign exchange forward contracts                            | \$ -               | \$ 302           |
| Non-derivative financial assets                               |                    |                  |
| Domestic and foreign quoted shares                            | <u>2,079</u>       | <u>2,745</u>     |
|   | <u>\$ 2,079</u>    | <u>\$ 3,047</u>  |
| <u>Financial liabilities at FVTPL - current</u>               |                    |                  |
| Financial liabilities held for trading                        |                    |                  |
| Derivative financial liabilities (not under hedge accounting) |                    |                  |
| Foreign exchange forward contracts                            | \$ 5,160           | \$ 8,274         |
| Foreign exchange options                                      | 5,785              | 14,176           |
| Option of convertible bond (Note 19)                          | <u>30,655</u>      | <u>10,780</u>    |
|   | <u>\$ 41,600</u>   | <u>\$ 33,230</u> |

- a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

|                          | <b>Currency</b> | <b>Maturity Date</b> | <b>Notional Amount<br/>(In Thousands)</b> |
|--------------------------|-----------------|----------------------|---|
| <u>December 31, 2015</u> |                 |                      |   |
| Sell                     | USD/RMB         | 2016.01-2016.08      | USD5,400/RMB35,004                        |
| <u>December 31, 2014</u> |                 |                      |   |
| Sell                     | USD/RMB         | 2015.01-2015.12      | USD29,900/RMB186,910                      |

The Company entered into foreign exchange forward contracts during 2015 and 2014 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

- b. At the end of the reporting period, outstanding option not under hedge accounting were as follows:

|                                      | <b>Maturity Date</b> | <b>Notional Amount<br/>(In Thousands)</b> |
|--------------------------------------|----------------------|---|
| <u>December 31, 2015</u>             |                      |   |
| Fubon bank - foreign exchange option | 2016.01-2016.02      | US\$ 2,400                                |
| <u>December 31, 2014</u>             |                      |   |
| Fubon bank - foreign exchange option | 2015.01-2016.02      | US\$ 16,000                               |
| HSBC bank - foreign exchange option  | 2015.01-2015.12      | US\$ 4,800                                |

At the end of the reporting period, there were two foreign exchange options outstanding, and the general terms were as follows:

Fubon Bank - foreign exchange option

The duration of contract is two years from March 6, 2014 to February 3, 2016. Net settlement occurs monthly for the first 18 months, and gross settlement occurs biweekly for the last 6 months, with a total of 30 periods. According to the contract, if the fixing rate for USD-RMB (expressed as the number of RMB per one USD as displayed on Reuters Page “CNHFIX” at or around 11:15 a.m. at Hong Kong) is less than or equal to the strike rate on fixing date, the Company will receive notional amount US\$400 thousand x (strike price-fixing rate)/fixing rate from dealing bank recognized as profit of the period. If fixing Rate is greater than the barrier price, the Company will pay notional amount US\$400 thousand x 2 x (fixing rate-strike price)/fixing rate to dealing bank recognized as loss of the period. If fixing rate is less than or equal to barrier price and greater than strike price, the Company will not recognize profit or loss and the amount of net settlement is \$0. According to the contract, the strike price and the barrier price above are \$6.13 and \$6.30, respectively. When accumulated profits are up to RMB160 thousand, the contract will totally expire. Conversely, there is no termination clause in the contract when there is a loss.

HSBC Bank - foreign exchange option

The duration of contract is two years from January 10, 2014 to December 10, 2015. Net settlement occurs monthly for the first 20 months, and gross settlement occurs monthly for the other 4 months. According to the contract, if the fixing rate for USD-RMB (the first 20 months expressed as the number of RMB per one USD as displayed on Reuters Page HSBCFIX01 to right of the caption “USDCNH” at or about 2:00 pm at Hong Kong, and the other 4 months expressed as the number of RMB per one USD as displayed on Bloomberg Page FBIX to right of the caption “USDCNH” at or about 3:00 pm at Tokyo) is less than or equal to the strike rate on fixing date, the Company will receive notional amount US\$200 thousand x (strike price-fixing rate)/fixing rate from dealing bank recognized as profit of the period. If fixing rate is greater than the strike price, the Company will pay notional amount US\$200 thousand x 2 x (fixing rate-strike price)/fixing rate to dealing bank recognized as loss of the period. If fixing rate is less than or equal to barrier price and greater than strike price, the Company will not recognize profit or loss and the amount of net settlement is \$0. According to the contract, the strike price above from 1st to 6th period and from 7th to 24th period are \$6.18 and \$6.15, respectively. The barrier price from 1st to 6th period and from 7th to 24th period are \$6.40 and \$6.37, respectively. When accumulated profits are up to RMB120 thousand, the contract will totally expire. Conversely, there is no termination clause in the contract when there is a loss.

The Company entered into the options during 2015 and 2014 to manage exposure to exchange rate fluctuations and price fluctuations of foreign currency denominated assets, liabilities and inventory. However, those options did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting.

## 8. FINANCIAL ASSETS MEASURED AT COST

|  | December 31 |            |
|--|-------------|------------|
|  | 2015        | 2014       |
| <u>Non-current</u>   |             |            |
| Unlisted common shares   | \$ 168,072  | \$ 149,508 |
| Classified according to financial asset measurement categories |             |            |
| Available-for-sale financial assets                            | \$ 168,072  | \$ 149,508 |

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

The Company's evaluated the financial assets measured at cost by future cash flows and recognized impairment loss \$19,043 thousand and \$0 thousand during 2015 and 2014, respectively. The impairment loss had been recognized in other gains and losses in the consolidated statements of comprehensive income.

#### 9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

|  | December 31       |                   |
|--|-------------------|-------------------|
|  | 2015              | 2014              |
| <u>Current</u>   |                   |                   |
| Time deposits with maturities longer than three months | \$ 261,295        | \$ 311,923        |
| Structured deposit                                     | <u>51,648</u>     | <u>-</u>          |
|  | <u>\$ 312,943</u> | <u>\$ 311,923</u> |

Interest rates of time deposits on the balance sheet date December 31, 2015 and 2014 were 1.35%-4.00% and 2.65%-3.25%, respectively.

Interest rates of structured deposit on the balance sheet date December 31, 2015 were 0%-3%.

#### 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

|  | December 31         |                     |
|--|---------------------|---------------------|
|  | 2015                | 2014                |
| <u>Notes and trade receivables</u>           |                     |                     |
| Notes receivable                             | <u>\$ 13,035</u>    | <u>\$ 5,972</u>     |
| Trade receivable                             | \$ 1,934,158        | \$ 1,639,152        |
| Less: Allowance for impairment loss          | <u>(12,997)</u>     | <u>(12,246)</u>     |
|  | <u>\$ 1,921,161</u> | <u>\$ 1,626,906</u> |
| <u>Other receivables</u>                     |                     |                     |
| Tax refund receivable                        | \$ 15,919           | \$ 10,018           |
| Receivables from return of capital reduction | -                   | 3,704               |
| Others                                       | <u>9,321</u>        | <u>4,615</u>        |
|  | <u>\$ 25,240</u>    | <u>\$ 18,337</u>    |

a. Trade receivables

The average credit period on sales of goods was 0 to 120 days after the end of the month in which sales occur. The Company recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience had been that receivables that are past due beyond 365 days were not recoverable. Allowance for impairment loss is recognized against trade receivables between 120 days and 365 days after the end of the month based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period (refer to the below schedule), the Company did not recognize an allowance for impairment loss because there was no significant change in the credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

The aging of accounts receivables was as follows:

|                       | <b>December 31</b>  |                     |
|-----------------------|---------------------|---------------------|
|                       | <b>2015</b>         | <b>2014</b>         |
| Not overdue           | \$ 1,654,315        | \$ 1,327,876        |
| Past due 1-60 days    | 245,854             | 246,480             |
| Past due 61-90 days   | 11,626              | 47,786              |
| Past due over 91 days | <u>22,363</u>       | <u>17,010</u>       |
|                       | <u>\$ 1,934,158</u> | <u>\$ 1,639,152</u> |

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

|                   | <b>December 31</b> |                   |
|-------------------|--------------------|-------------------|
|                   | <b>2015</b>        | <b>2014</b>       |
| Less than 60 days | \$ 245,854         | \$ 246,480        |
| 61-90 days        | 11,626             | 47,786            |
| More than 90 days | <u>9,366</u>       | <u>4,764</u>      |
|                   | <u>\$ 266,846</u>  | <u>\$ 299,030</u> |

The above aging schedule was based on the past due date.

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

|  | <b>Individually<br/>Assessed for<br/>Impairment</b> | <b>Collectively<br/>Assessed for<br/>Impairment</b> | <b>Total</b>     |
|--|---|---|------------------|
| Balance at January 1, 2014                                   | \$ 8,095  | \$ -  | \$ 8,095         |
| Add: Impairment losses recognized on receivables             | 4,300   | -   | 4,300            |
| Less: Amounts written off during the period as uncollectible | (787)   | -   | (787)            |
| Foreign exchange translation gains and losses                | <u>638</u>  | <u>-</u>  | <u>638</u>       |
| Balance at December 31, 2014                                 | <u>\$ 12,246</u>                                    | <u>\$ -</u>   | <u>\$ 12,246</u> |

(Continued)

|   | Individually<br>Assessed for<br>Impairment | Collectively<br>Assessed for<br>Impairment | Total                           |
|---|--|--|---------------------------------|
| Balance at January 1, 2015                                      | \$ 12,246                                  | \$ -                                       | \$ 12,246                       |
| Add: Impairment losses recognized on<br>receivables             | 984  | -  | 984                             |
| Less: Amounts written off during the period<br>as uncollectible | (482)                                      | -  | (482)                           |
| Foreign exchange translation gains and losses                   | <u>249</u>                                 | <u>-</u>                                   | <u>249</u>                      |
| Balance at December 31, 2015                                    | <u>\$ 12,997</u>                           | <u>\$ -</u>                                | <u>\$ 12,997</u><br>(Concluded) |

The Company recognized impairment loss on trade receivables amounting NT\$12,997 thousand and NT\$12,246 thousand as of December 31, 2015 and 2014, respectively. The Company did not hold any collateral over these balances.

b. Other receivables

For the other receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable.

## 11. INVENTORIES

|                  | December 31         |                     |
|------------------|---------------------|---------------------|
|                  | 2015                | 2014                |
| Raw materials    | \$ 516,446          | \$ 556,154          |
| Work in progress | 145,750             | 161,045             |
| Finished goods   | 413,613             | 377,275             |
| Merchandise      | <u>509,620</u>      | <u>471,002</u>      |
|                  | <u>\$ 1,585,429</u> | <u>\$ 1,565,476</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 was NT\$6,175,484 thousand and NT\$5,398,517 thousand, respectively.

For the years ended December 31, 2015 and 2014, the cost of goods sold includes write-down of inventories of NT\$38,937 thousand and NT\$8,360 thousand, respectively.

## 12. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

| Investor                     | Investee  | Main Business  | % of Ownership<br>December 31 |        | Remark |
|------------------------------|---|--|-------------------------------|--------|--------|
|                              |   |  | 2015                          | 2014   |        |
| BizLink Holding Inc.         | BizLink Technology Inc.                                 | (1) Wholesaler and retailer of cable assembly, power cord and connectors, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade.                                 | 100.00                        | 100.00 |        |
|                              | OptiWorks Inc.  | (1) Wholesaler and retailer of fiber optical passive components and fiber optical cables, (2) international trade, and (3) various investment activities.  | 100.00                        | 100.00 |        |
|                              | BizLink (BVI) Corp.                                     | (1) Wholesaler and retailer of cable assembly, connectors, power cord, (2) wholesaler and retailer of computer peripheral products and electronic materials, (3) international trade, and (4) various investment activities. | 100.00                        | 100.00 |        |
|                              | BizLink International Corp.                             | (1) Wholesaler of cable assembly, connectors and power cord, (2) international trade, and (3) financial center for BizLink's Asian operation.  | 100.00                        | 100.00 |        |
|                              | Zellwood International Corp.                            | Engaging in various investment activities.   | 100.00                        | 100.00 |        |
|                              | Oriental Rose Corp.                                     | Engaging in various investment activities.   | -                             | -      | a.     |
|                              | BizLink Technology (S.E.A.) Sdn Bhd                     | (1) Designing, manufacturing, and sales of cable assembly, power cord, and telecommunications equipment, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade.  | 100.00                        | 100.00 |        |
|                              | Adel Enterprises Corp.                                  | (1) Wholesaler and retailer of cable assembly, connectors, and power cord, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade.                                | 100.00                        | 100.00 |        |
|                              | BizLink Tech Inc.                                       | (1) Designing, manufacturing, sales of cable assembly, (2) wholesaler and retailer of computer peripheral products and electronic materials, (3) fiberfil molding, and (4) international business trade.                     | 100.00                        | 100.00 |        |
|                              | Aceell Corp.  | (1) Wholesaler and retailer of brand name connectors, cables and telecommunications equipment, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) promoting its own brand name.   | 100.00                        | 100.00 |        |
|                              | BizLink Technology (Ireland) Ltd.                       | (1) Wholesaler and retailer of cable assembly, power cord and connectors, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade.                                 | 100.00                        | 100.00 |        |
|                              | ビズリンク株式会社   | (1) Wholesaler and retailer of cable assembly, power cord and connectors, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade.                                 | 100.00                        | 100.00 |        |
|                              | Bizwide Limited   | Engaging in various investment activities.   | 100.00                        | 100.00 |        |
|                              | Bizconn Technology Inc.                                 | (1) Wholesaler and retailer of cable assembly, power cord and connectors, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade.                                 | 100.00                        | 100.00 | b.     |
| BizLink Technology Inc.      | Bac Bayside, LLC  | Engaging in various lease activities.  | 100.00                        | 100.00 | c.     |
| OptiWorks, Inc.              | Bobt, LLC   | Engaging in various lease activities.  | 100.00                        | 100.00 | d.     |
|                              | OptiWorks (Shanghai) Limited                            | (1) Manufacturing, wholesaler and retailer of fiber optical passive components and fiber optical cables, and (2) international trade.  | 100.00                        | 100.00 |        |
|                              | OptiWorks (Kun shan) Limited                            | (1) Manufacturing, wholesaler and retailer of fiber optical passive components and fiber optical cables, and (2) sales of its own products.  | 100.00                        | 100.00 |        |
| BizLink (BVI) Corp.          | OptiWorks Holding Inc.                                  | Engaging in various investment activities.   | -                             | -      | e.     |
|                              | Hwa Zhan Electronics Corp. (Shen Zhen)                  | Designing, manufacturing, sales and assembling of connectors, cables assembly.   | 100.00                        | 100.00 |        |
| Zellwood International Corp. | Bizconn International Corp.                             | Engaging in various investment activities.   | 100.00                        | 100.00 |        |
|                              | BizLink International Electronics (Shen Zhen) Co., Ltd. | Designing, manufacturing, sales and assembling of connectors, cables assembly.   | 100.00                        | 100.00 |        |
|                              | BizLink (Kun Shan) Co., Ltd.                            | Designing, manufacturing and sales of cable assembly, connectors and power cord.   | 100.00                        | 100.00 |        |
| Bizconn International Corp.  | Bizconn International Corp. (China)                     | Designing, manufacturing, sales and assembling of connectors, tooling and cable assembly   | 100.00                        | 100.00 |        |
| Oriental Rose Corp.          | Klink Plastic Co., Ltd                                  | Designing, manufacturing, sales of PVC powder, power cord and connectors   | -                             | -      | f.     |
| Adel Enterprise Corp.        | BizLink Electronics (Xiamen) Co., Ltd.                  | Manufacturing and assembling of power cord and cable.  | 100.00                        | 100.00 |        |
|                              | Asia Wick Ltd   | Engaging in various investment activities.   | 100.00                        | 100.00 |        |

(Continued)

| Investor                              | Investee  | Main Business   | % of Ownership<br>December 31 |        | Remark |
|---------------------------------------|---|---|-------------------------------|--------|--------|
|                                       |   |   | 2015                          | 2014   |        |
| Asia Wick Ltd.                        | Tong Ying Electronics (Shen Zhen) Ltd.                  | Manufacturing of wire extrusion and cable assembly.   | 100.00                        | 100.00 |        |
| Bizwide Limited                       | Xiang Yao Electronics (Shen Zhen) Co., Ltd.             | Designing, manufacturing, sales of cable assembly, power cord, and connectors   | 100.00                        | 100.00 |        |
| BizLink Technology (S.E.A.) Sdn. Bhd. | BizLink Interconnect Technology (India) Private Limited | (1) Designing, manufacturing, and sales of cable assembly, power cord, and telecommunications equipment, (2) wholesaler and retailer of computer peripheral products and electronic materials, and (3) international trade. | 100.00                        | 100.00 |        |

(Concluded)

- a. Oriental Rose Corp. was dissolved in November 2014.
- b. BizConn Technology Inc. was not yet in operation.
- c. Bae Bayside, LLC was established in May 2014.
- d. Bobi, LLC was established in April 2014.
- e. OptiWorks Holding Inc. was dissolved in November 2014.
- f. Klink Plastic Co., Ltd. was liquidated in October 2014.

### 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

#### Investments in Associate

|                     | December 31     |                 |
|---------------------|-----------------|-----------------|
|                     | 2015            | 2014            |
| Non-public company  |                 |                 |
| Arise Solution Inc. | <u>\$ 3,799</u> | <u>\$ 3,320</u> |

Aggregate information of associates that are not individually material:

|  | For the Year Ended December 31 |                 |
|--|--------------------------------|-----------------|
|  | 2015                           | 2014            |
| The Company's share of:                  |                                |                 |
| Profit (loss) from continuing operations | \$ 347                         | \$ (184)        |
| Other comprehensive income               | <u>-</u>                       | <u>-</u>        |
| Total comprehensive income for the year  | <u>\$ 347</u>                  | <u>\$ (184)</u> |

In April of 2013, the Company subscribed 923 shares of Arise Solution Inc. through a private placement for cash of US\$96 thousand; after the subscription, the Company's percentage of ownership in Arise Solution Inc. was 48% and the Company was able to exercise significant influence over Arise Solution Inc. Included in the cost of investment in associates was goodwill of NT\$1,210 thousand which arose from the acquisition of Arise Solution Inc.

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of the investment were calculated based on the financial statements that have not been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income, from the financial statements of Arise Solution Inc. that have not been audited.



## 14. PROPERTY, PLANT AND EQUIPMENT

|  | Freehold Land     | Buildings         | Machinery and Equipment | Transportation   | Other Equipment   | Total               |
|--|-------------------|-------------------|-------------------------|------------------|-------------------|---------------------|
| <u>Cost</u>                                    |                   |                   |                         |                  |                   |                     |
| Balance at January 1, 2014                     | \$ 114,673        | \$ 378,936        | \$ 765,596              | \$ 16,177        | \$ 166,995        | \$ 1,442,377        |
| Additions                                      | 107,029           | 188,835           | 130,499                 | 6,150            | 15,389            | 447,902             |
| Disposals                                      | -                 | -                 | (30,789)                | (4,473)          | (8,477)           | (43,739)            |
| Reclassification (a)                           | -                 | 1,235             | 16,762                  | -                | 399               | 18,396              |
| Effect of foreign currency exchange difference | 8,487             | 27,610            | 47,936                  | 811              | 8,830             | 93,674              |
| Balance at December 31, 2014                   | <u>\$ 230,189</u> | <u>\$ 596,616</u> | <u>\$ 930,004</u>       | <u>\$ 18,665</u> | <u>\$ 183,136</u> | <u>\$ 1,958,610</u> |
| <u>Accumulated depreciation and impairment</u> |                   |                   |                         |                  |                   |                     |
| Balance at January 1, 2014                     | \$ -              | \$ 142,938        | \$ 352,883              | \$ 9,035         | \$ 102,798        | \$ 607,654          |
| Disposals                                      | -                 | -                 | (25,983)                | (3,014)          | (7,550)           | (36,547)            |
| Reclassification                               | -                 | -                 | -                       | -                | -                 | -                   |
| Impairment losses recognized in profit or loss | -                 | -                 | 11,345                  | -                | -                 | 11,345              |
| Depreciation expense                           | -                 | 23,947            | 99,574                  | 2,154            | 19,530            | 145,205             |
| Effect of foreign currency exchange difference | -                 | 8,487             | 23,682                  | 310              | 5,898             | 38,377              |
| Balance at December 31, 2014                   | <u>\$ -</u>       | <u>\$ 175,372</u> | <u>\$ 461,501</u>       | <u>\$ 8,485</u>  | <u>\$ 120,676</u> | <u>\$ 766,034</u>   |
| Carrying amounts at December 31, 2014          | <u>\$ 230,189</u> | <u>\$ 421,244</u> | <u>\$ 468,503</u>       | <u>\$ 10,180</u> | <u>\$ 62,460</u>  | <u>\$ 1,192,576</u> |
| <u>Cost</u>                                    |                   |                   |                         |                  |                   |                     |
| Balance at January 1, 2015                     | \$ 230,189        | \$ 596,616        | \$ 930,004              | \$ 18,665        | \$ 183,136        | \$ 1,958,610        |
| Additions                                      | -                 | 23,309            | 185,364                 | 2,239            | 40,619            | 251,531             |
| Disposals                                      | -                 | -                 | (33,535)                | (1,443)          | (12,191)          | (47,169)            |
| Reclassification (b)                           | -                 | 11,078            | 42,728                  | 533              | 1,609             | 55,948              |
| Effect of foreign currency exchange difference | 6,429             | 6,788             | (22,700)                | (730)            | (3,532)           | (13,745)            |
| Balance at December 31, 2015                   | <u>\$ 236,618</u> | <u>\$ 637,791</u> | <u>\$ 1,101,861</u>     | <u>\$ 19,264</u> | <u>\$ 209,641</u> | <u>\$ 2,205,175</u> |
| <u>Accumulated depreciation and impairment</u> |                   |                   |                         |                  |                   |                     |
| Balance at January 1, 2015                     | \$ -              | \$ 175,372        | \$ 461,501              | \$ 8,485         | \$ 120,676        | \$ 766,034          |
| Disposals                                      | -                 | -                 | (21,757)                | (1,413)          | (10,798)          | (33,968)            |
| Depreciation expense                           | -                 | 25,948            | 120,700                 | 3,035            | 22,266            | 171,949             |
| Effect of foreign currency exchange difference | -                 | (1,821)           | (12,395)                | (468)            | (2,223)           | (16,907)            |
| Balance at December 31, 2015                   | <u>\$ -</u>       | <u>\$ 199,499</u> | <u>\$ 548,049</u>       | <u>\$ 9,639</u>  | <u>\$ 129,921</u> | <u>\$ 887,108</u>   |
| Carrying amounts at December 31, 2015          | <u>\$ 236,618</u> | <u>\$ 438,292</u> | <u>\$ 553,812</u>       | <u>\$ 9,625</u>  | <u>\$ 79,720</u>  | <u>\$ 1,318,067</u> |

- Reclassified from other non-current asset-prepayment for equipment and inventory to property, plant and equipment NT\$11,729 thousand and NT\$6,743 thousand, respectively. Reclassified property, plant and equipment to intangible asset NT\$76 thousand, which had no significant impact on the Company's consolidated financial statements.
- Reclassified from other non-current asset-prepayment for equipment and inventory to property, plant and equipment NT\$33,188 thousand and NT\$22,760 thousand, respectively.

The cash flows of the equipment for use in the production are expected to decrease; due to poor selling of fiber-optical product, such equipment was provided with allowance for impairment losses. For the year ended December 31, 2014, the Company recognized impairment loss amounting to NT\$11,345 thousand which was related to the fiber-optics reporting segment and recognized in operating cost. The Company determined the recoverable amount of the relevant assets on the basis of their value in use. The discount rate used in measuring value in use was 15.46% per annum. No impairment assessment was performed for the year ended 2015 as there was no indication of impairment.

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

|                           |             |
|---------------------------|-------------|
| Building                  |             |
| Main buildings            | 20-55 years |
| Construction appurtenance | 2-20 years  |
| Machinery and equipment   | 3-10 years  |
| Transportation            | 4-10 years  |
| Other equipment           | 3-15 years  |

Refer to Note 33 for the carrying amount of property, plant and equipment pledged by the Company to secure borrowings granted to the Company.

## 15. OTHER INTANGIBLE ASSETS

|  | Patent           | Computer Software | Trademark    | Total             |
|--|------------------|-------------------|--------------|-------------------|
| <u>Cost</u>                                    |                  |                   |              |                   |
| Balance at January 1, 2014                     | \$ 15,066        | \$ 124,940        | \$ 6,055     | \$ 146,061        |
| Additions                                      | -                | 10,565            | -            | 10,565            |
| Disposals                                      | (86)             | (89)              | (5,749)      | (5,924)           |
| Reclassification*                              | -                | 8,526             | (303)        | 8,223             |
| Effect of foreign currency exchange difference | <u>961</u>       | <u>7,677</u>      | <u>60</u>    | <u>8,698</u>      |
| Balance at December 31, 2014                   | <u>\$ 15,941</u> | <u>\$ 151,619</u> | <u>\$ 63</u> | <u>\$ 167,623</u> |
| <u>Accumulated depreciation and impairment</u> |                  |                   |              |                   |
| Balance at January 1, 2014                     | \$ 11,596        | \$ 31,632         | \$ 5,651     | \$ 48,879         |
| Amortization expense                           | 1,515            | 15,207            | 82           | 16,804            |
| Disposals                                      | (86)             | (12)              | (5,749)      | (5,847)           |
| Effect of foreign currency exchange difference | <u>828</u>       | <u>2,458</u>      | <u>57</u>    | <u>3,343</u>      |
| Balance at December 31, 2014                   | <u>\$ 13,853</u> | <u>\$ 49,285</u>  | <u>\$ 41</u> | <u>\$ 63,179</u>  |
| Carrying amounts at December 31, 2014          | <u>\$ 2,088</u>  | <u>\$ 102,334</u> | <u>\$ 22</u> | <u>\$ 104,444</u> |

(Continued)

|  | Patent           | Computer Software | Trademark    | Total             |
|--|------------------|-------------------|--------------|-------------------|
| <u>Cost</u>                                    |                  |                   |              |                   |
| Balance at January 1, 2015                     | \$ 15,941        | \$ 151,619        | \$ 63        | \$ 167,623        |
| Additions                                      | -                | 10,910            | -            | 10,910            |
| Disposals                                      | -                | (27)              | -            | (27)              |
| Effect of foreign currency exchange difference | <u>489</u>       | <u>(2,607)</u>    | <u>-</u>     | <u>(2,118)</u>    |
| Balance at December 31, 2015                   | <u>\$ 16,430</u> | <u>\$ 159,895</u> | <u>\$ 63</u> | <u>\$ 176,388</u> |
| <u>Accumulated depreciation and impairment</u> |                  |                   |              |                   |
| Balance at January 1, 2015                     | \$ 13,853        | \$ 49,285         | \$ 41        | \$ 63,179         |
| Amortization expense                           | 1,587            | 16,866            | 6            | 18,459            |
| Disposals                                      | -                | (27)              | -            | (27)              |
| Effect of foreign currency exchange difference | <u>470</u>       | <u>(567)</u>      | <u>(1)</u>   | <u>(98)</u>       |
| Balance at December 31, 2015                   | <u>\$ 15,910</u> | <u>\$ 65,557</u>  | <u>\$ 46</u> | <u>\$ 81,513</u>  |
| Carrying amounts at December 31, 2015          | <u>\$ 520</u>    | <u>\$ 94,338</u>  | <u>\$ 17</u> | <u>\$ 94,875</u>  |
|  |                  |                   |              | (Concluded)       |

\* Reclassified property, plant and equipment and other non-current asset - prepayment of equipment to intangible asset NT\$76 thousand and NT\$8,882 thousand, respectively. Reclassified intangible asset to expense NT\$735 thousand, which had no significant impact on the Company's consolidated financial statements.

The above items of intangible assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

|                   |            |
|-------------------|------------|
| Patent            | 5 years    |
| Computer software | 5-10 years |
| Trademark         | 10 years   |

#### 16. PREPAYMENTS FOR LEASE

|   | <u>December 31</u> |                  |
|---|--------------------|------------------|
|   | <u>2015</u>        | <u>2014</u>      |
| Current asset (included in prepayments) | \$ 527             | \$ 730           |
| Non-current asset                       | <u>12,516</u>      | <u>13,266</u>    |
|   | <u>\$ 13,043</u>   | <u>\$ 13,996</u> |

As of December 31, 2015 and 2014, prepaid lease payments included land use right with carrying amount of NT\$13,043 thousand and NT\$13,996 thousand, respectively, which are located in Mainland China.

## 17. OTHER ASSETS

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2015</u>        | <u>2014</u>       |
| <u>Current</u>                             |                    |                   |
| Prepayment (include prepayments for lease) | \$ 137,425         | \$ 163,480        |
| Others                                     | <u>46</u>          | <u>46</u>         |
|  | <u>\$ 137,471</u>  | <u>\$ 163,526</u> |
| <u>Non-current</u>                         |                    |                   |
| Prepayment for equipment                   | \$ 134,617         | \$ 45,535         |
| Long-term notes receivable                 | 9,856              | -                 |
| Refundable deposits                        | <u>24,348</u>      | <u>23,809</u>     |
|  | <u>\$ 168,821</u>  | <u>\$ 69,344</u>  |

## 18. BORROWINGS

### a. Short-term borrowings

|                                     | <u>December 31</u> |                  |
|-------------------------------------|--------------------|------------------|
|                                     | <u>2015</u>        | <u>2014</u>      |
| <u>Secured borrowings (Note 33)</u> |                    |                  |
| Bank loans                          | \$ 64,500          | \$ 64,950        |
| <u>Unsecured borrowings</u>         |                    |                  |
| Bank loans                          | <u>131,372</u>     | <u>13,879</u>    |
|                                     | <u>\$ 195,872</u>  | <u>\$ 78,829</u> |

The range of interest rate on bank loans was 1.05%-1.65% and 1.22%-2.75% per annum as of December 31, 2015 and 2014, respectively.

### b. Long-term borrowings and current portion of long-term borrowings

|   | <u>December 31</u> |                   |
|---|--------------------|-------------------|
|   | <u>2015</u>        | <u>2014</u>       |
| <u>Secured borrowings (Note 33)</u>     |                    |                   |
| Bank loans                              | \$ 305,221         | \$ 308,206        |
| Less: Current portion (due in one year) | <u>(14,163)</u>    | <u>(13,667)</u>   |
| Long-term borrowings                    | <u>\$ 291,058</u>  | <u>\$ 294,539</u> |

In April 2014, May 2014 and May 2013, the long-term secured borrowings were provided with collaterals in the form of freehold land and buildings valued at US\$1,600 thousand, US\$5,800 thousand and US\$2,700 thousand, respectively. Such loans are due in April 2019, May 2021 and June 2020, respectively. As of December 31, 2015 and 2014, the annual effective interest rate was 2.1%-2.75% and 2.256%-2.75%, respectively, per annum.

## 19. BONDS PAYABLE

|                                 | December 31       |                   |
|---------------------------------|-------------------|-------------------|
|                                 | 2015              | 2014              |
| Overseas unsecured bonds II     | \$ 160,500        | \$ 200,000        |
| Less: Unamortized bond discount | <u>(9,596)</u>    | <u>(19,164)</u>   |
|                                 | <u>\$ 150,904</u> | <u>\$ 180,836</u> |

On July 30, 2014, BizLink issued the second three-year unsecured, zero-coupon overseas convertible bonds with NT\$100 thousand par value, in an aggregate principal amount of NT\$200,000 thousand.

Following items are primary clauses in the prospectus:

### a. Term

From July 30, 2014 to July 30, 2017

### b. Redemption

- 1) Between one month after issue date and 40 days prior to maturity date, if the closing price of BizLink's shares reaches 30% of the conversion price for 30 consecutive trading days, BizLink may redeem the remaining bonds at fair value with cash in advance.
- 2) Between one month after issue date and 40 days prior to maturity date, if the bonds outstanding amounted to less than NT\$20,000 thousand (10% of original principal amount), BizLink may redeem the remaining bonds at fair value with cash in advance.

### c. Conversion

#### Conversion period

Bondholders may request BizLink to convert the bonds into BizLink's common shares between August 31, 2014 (one month after issue date) and July 30, 2017 (maturity date), barring the year in which registration of share transfer is suspended.

#### Conversion price and adjustments

The price used by BizLink in determining the number of ordinary shares to be issued upon conversion is initially NT\$134.5 per share. The conversion price will be subject to adjustment, according to a formula stated in prospectus, due to any change in issuance of ordinary shares. The conversion price as of December 31, 2015 was NT\$124.1 per share.

- d. The convertible bond has two components: The main debt contract instrument and the derivative convertible option. The main debt contract has the effective rate 3.91%. The derivative convertible option instrument was fair value through profit and loss (FVTPL) (Note 7).

- e. For the year ended December 31, 2015, converted amount of convertible bond was NT\$39,500 thousand, reclassified to common share NT\$2,946 thousand and capital surplus-options NT\$36,554 thousand. Bond payable discount and financial liabilities at FVTPL-current on converted date amounted NT\$(3,057) thousand and NT\$8,123 thousand, respectively, was also reclassified to capital surplus-options. For the years ended December 31, 2015 and 2014, amortization of discount on bonds payable was NT\$6,511 thousand and NT\$2,935 thousand, included in financial cost.

## 20. NOTE PAYABLE AND TRADE PAYABLES

|                      | December 31  |              |
|----------------------|--------------|--------------|
|                      | 2015         | 2014         |
| <u>Notes payable</u> |              |              |
| Operating            | \$ 21,386    | \$ 108       |
| <u>Trade payable</u> |              |              |
| Operating            | \$ 1,219,143 | \$ 1,138,445 |

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 21. OTHER LIABILITIES

|   | December 31       |                   |
|---|-------------------|-------------------|
|   | 2015              | 2014              |
| <u>Current</u>  |                   |                   |
| Other payables  |                   |                   |
| Salaries or bonus                                     | \$ 323,629        | \$ 280,758        |
| Welfare funds   | 21,028            | 32,698            |
| Payable for taxes                                     | 32,529            | 35,659            |
| Payable for employee bonus                            | 38,086            | -                 |
| Payable for remuneration to directors and supervisors | 8,887             | 8,879             |
| Payable for shipping                                  | 14,467            | 20,375            |
| Payable for commission                                | 55,428            | 29,777            |
| Others  | 143,612           | 109,506           |
|   | <u>\$ 637,666</u> | <u>\$ 517,652</u> |
| Other liabilities                                     |                   |                   |
| Advance receipts                                      | \$ 5,825          | \$ 33,790         |
| Receipts under custody                                | 6,490             | 1,708             |
|   | <u>\$ 12,315</u>  | <u>\$ 35,498</u>  |
| <u>Non-current</u>                                    |                   |                   |
| Other liabilities                                     |                   |                   |
| Guarantee deposits                                    | \$ 3,217          | \$ 2,433          |

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The subsidiary of the Company - BizLink International Corp. 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 Company in China are members of state-managed retirement benefit plans operated by the government of China. The subsidiaries are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions.

- b. The defined benefit plan adopted by BizLink International Corp. of the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. BizLink International Corp. 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 Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

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

|   | December 31     |                 |
|---|-----------------|-----------------|
|   | 2015            | 2014            |
| Present value of defined benefit obligation | \$ 8,809        | \$ 7,534        |
| Fair value of plan assets                   | <u>(6,000)</u>  | <u>(5,635)</u>  |
| Net defined benefit liability               | <u>\$ 2,809</u> | <u>\$ 1,899</u> |

Movements in net defined benefit liability were as follows:

|                               | Present Value<br>of the Defined<br>Benefit<br>Obligation | Fair Value of<br>the Plan Assets | Net Defined<br>Benefit<br>Liability |
|-------------------------------|--|----------------------------------|-------------------------------------|
| Balance at January 1, 2014    | \$ 7,004   | \$ (5,297)                       | \$ 1,707                            |
| Service cost                  |  |                                  |                                     |
| Current service cost          | 209  | -                                | 209                                 |
| Net interest expense (income) | <u>123</u>   | <u>(108)</u>                     | <u>15</u>                           |
| Recognized in profit or loss  | <u>332</u>   | <u>(108)</u>                     | <u>224</u>                          |

(Continued)

|   | Present Value<br>of the Defined<br>Benefit<br>Obligation | Fair Value of<br>the Plan Assets | Net Defined<br>Benefit<br>Liability |
|---|--|----------------------------------|-------------------------------------|
| Remeasurement   |  |                                  |                                     |
| Return on plan assets (excluding amounts<br>included in net interest) | \$ -   | \$ (17)                          | \$ (30)                             |
| Actuarial gain - changes in demographic<br>assumptions                | (87)   | -                                | (87)                                |
| Actuarial gain - experience adjustments                               | <u>285</u>   | <u>-</u>                         | <u>285</u>                          |
| Recognized in other comprehensive income                              | <u>198</u>   | <u>(17)</u>                      | <u>181</u>                          |
| Contributions from the employer                                       | -  | (213)                            | (213)                               |
| Benefits paid   | <u>-</u>   | <u>-</u>                         | <u>-</u>                            |
| Balance at December 31, 2014  | <u>\$ 7,534</u>  | <u>\$ (5,635)</u>                | <u>\$ 1,899</u>                     |
| Balance at January 1, 2015  | <u>\$ 7,534</u>  | <u>\$ (5,635)</u>                | <u>\$ 1,899</u>                     |
| Service cost  |  |                                  |                                     |
| Current service cost  | 216  | -                                | 216                                 |
| Net interest expense (income)   | <u>122</u>   | <u>(93)</u>                      | <u>29</u>                           |
| Recognized in profit or loss  | <u>338</u>   | <u>(93)</u>                      | <u>245</u>                          |
| Remeasurement   |  |                                  |                                     |
| Return on plan assets (excluding amounts<br>included in net interest) | -  | (57)                             | (57)                                |
| Actuarial loss - changes in demographic<br>assumptions                | 468  | -                                | 468                                 |
| Actuarial loss - experience adjustments                               | 187  | -                                | 187                                 |
| Others  | <u>282</u>   | <u>-</u>                         | <u>282</u>                          |
| Recognized in other comprehensive income                              | <u>937</u>   | <u>(57)</u>                      | <u>880</u>                          |
| Contributions from the employer                                       | -  | (215)                            | (215)                               |
| Benefits paid   | <u>-</u>   | <u>-</u>                         | <u>-</u>                            |
| Balance at December 31, 2015  | <u>\$ 8,809</u>  | <u>\$ (6,000)</u>                | <u>\$ 2,809</u>                     |

(Concluded)

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

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



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

|                                     | <b>December 31</b> |             |
|-------------------------------------|--------------------|-------------|
|                                     | <b>2015</b>        | <b>2014</b> |
| Discount rate(s)                    | 1.375%             | 1.625%      |
| Expected rate(s) of salary increase | 2.250%             | 2.250%      |

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 decrease/increase as follows:

|                                     | <b>December 31</b> |             |
|-------------------------------------|--------------------|-------------|
|                                     | <b>2015</b>        | <b>2014</b> |
| Discount rate(s)                    |                    |             |
| 0.25% increase                      | \$ (198)           | \$ (178)    |
| 0.25% decrease                      | \$ 204             | \$ 183      |
| Expected rate(s) of salary increase |                    |             |
| 0.25% increase                      | \$ 199             | \$ 179      |
| 0.25% decrease                      | \$ (194)           | \$ (175)    |

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.

|  | <b>December 31</b> |             |
|--|--------------------|-------------|
|  | <b>2015</b>        | <b>2014</b> |
| The expected contributions to the plan for the next year | \$ 219             | \$ 212      |
| The average duration of the defined benefit obligation   | 9.3 years          | 9.8 years   |

## 23. EQUITY

### a. Capital stock

#### 1) Common shares

|   | <b>December 31</b> |              |
|---|--------------------|--------------|
|   | <b>2015</b>        | <b>2014</b>  |
| Number of shares authorized (in thousands)            | 500,000            | 500,000      |
| Shares authorized                                     | \$ 5,000,000       | \$ 5,000,000 |
| Number of shares issued and fully paid (in thousands) | 91,819             | 86,869       |
| Shares issued   | \$ 918,191         | \$ 868,690   |

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

A reconciliation of the number of shares outstanding was as follows:

|                                     | Number of<br>Shares (In<br>Thousands of<br>Shares) | Share Capital     | Share Premium       |
|-------------------------------------|--|-------------------|---------------------|
| Balance at January 1, 2014          | 79,797   | \$ 797,967        | \$ 810,816          |
| Share issuance for cash             | 2,500  | 25,000            | 257,459             |
| Stock dividends                     | 3,990  | 39,898            | -                   |
| Arising from employee share options | <u>582</u>   | <u>5,825</u>      | <u>30,756</u>       |
| Balance at December 31, 2014        | 86,869   | 868,690           | 1,099,031           |
| Arising from employee share options | 312  | 3,120             | 16,034              |
| Stock dividends                     | 4,344  | 43,435            | -                   |
| Arising from conversion of bonds    | <u>294</u>   | <u>2,946</u>      | <u>41,620</u>       |
| Balance at December 31, 2015        | <u>91,819</u>                                      | <u>\$ 918,191</u> | <u>\$ 1,156,685</u> |

On May 8, 2014, the BizLink's board of directors resolved to issue 2,500 thousand ordinary shares, with a par value of NT\$10 each, for consideration of NT\$112.2 per share. On July 10, 2014, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors at September 11, 2014.

b. Capital surplus

|   | December 31         |                     |
|---|---------------------|---------------------|
|   | 2015                | 2014                |
| May be used to offset a deficit, distributed as cash dividends, or<br>transferred to share capital (Note) |                     |                     |
| Arising from issuance of common shares  | \$ 867,272          | \$ 851,238          |
| Arising from conversion of bonds  | 289,413             | 247,793             |
| Others - expired stock option   | <u>4,619</u>        | <u>4,619</u>        |
|   | <u>\$ 1,161,304</u> | <u>\$ 1,103,650</u> |
| May not be used for any purpose   |                     |                     |
| Recognized on employee share options  | <u>\$ 4,541</u>     | <u>\$ 10,253</u>    |

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

A reconciliation of the carrying amount for each class of capital surplus was as follows:

|   | Share<br>Premium  | Conversion<br>of Bonds | Employee<br>Share<br>Options | Other           | Total               |
|---|-------------------|------------------------|------------------------------|-----------------|---------------------|
| Balance at January 1, 2014                          | 563,023           | 247,793                | 18,974                       | 4,190           | 833,980             |
| Recognition of employee<br>share options by BizLink | -                 | -                      | 2,374                        | -               | 2,374               |
| Forfeited employee share<br>option                  | -                 | -                      | (429)                        | 429             | -                   |
| Issue of ordinary shares for<br>cash                | 257,459           | -                      | -                            | -               | 257,459             |
| Issue of common share stock<br>options              | <u>30,756</u>     | <u>-</u>               | <u>(10,666)</u>              | <u>-</u>        | <u>20,090</u>       |
| Balance at December 31,<br>2014                     | 851,238           | 247,793                | 10,253                       | 4,619           | 1,113,903           |
| Convertible bonds converted<br>to common stock      | -                 | 41,620                 | -                            | -               | 41,620              |
| Issue of common share stock<br>options              | <u>16,034</u>     | <u>-</u>               | <u>(5,712)</u>               | <u>-</u>        | <u>10,322</u>       |
| Balance at December 31,<br>2015                     | <u>\$ 867,272</u> | <u>\$ 289,413</u>      | <u>\$ 4,541</u>              | <u>\$ 4,619</u> | <u>\$ 1,165,845</u> |

c. Retained earnings and dividend policy

Under the Bizlink's Articles of Incorporation, BizLink may distribute profits in accordance with a proposal for distribution of profits prepared by the board of directors and approved by the annual stockholders' meeting. (1) The proposal shall begin with BizLink's Annual Net Income and offset its losses in previous years that have not been previously offset, then set aside a legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled to total capital of BizLink, (2) then set aside a special capital reserve, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge; (3) and then may set aside up to 0%-3% of the balance as bonus to Directors and up to 0%-5% of the balance as bonus to employees. The board of directors shall specify the exact percentages or amounts to be distributed as bonuses to the board of directors and employees in preparing the proposal for distribution of profits, and the stockholders may amend such proposal prior to its approval. A Director who also serves as an executive officer of the Company may receive a bonus in his capacity as a Director and a bonus in his capacity as an employee. Any balance left over may be distributed as dividends (including cash dividends or stock dividends) or bonuses in accordance with the Statute and the Applicable Public Company Rules and after taking into consideration financial, business and operational factors with the amount of profits distributed to Members not lower than 10% of profits (after tax) of the then current year and the amount of cash dividends distributed thereupon shall not be less than 10 % of the profits proposed to be distributed of the then current year.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the BizLink's board of directors on March 15, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 15, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to e. Employee benefits expense in Note 24.

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

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

The appropriations of earnings for 2014 and 2013 had been approved in the annual stockholders' meetings on June 24, 2015 and June 11, 2014, respectively. The appropriations and remuneration to directors and supervisors were as follows:

|                | <b>Appropriation of Earnings</b> |             | <b>Dividends Per Share</b> |             |
|----------------|----------------------------------|-------------|----------------------------|-------------|
|                | <b>2014</b>                      | <b>2013</b> | <b>2014</b>                | <b>2013</b> |
| Legal reserve  | \$ 61,693                        | \$ 56,357   | \$ -                       | \$ -        |
| Cash dividend  | 434,345                          | 398,984     | 5.0                        | 5.0         |
| Stock dividend | 43,435                           | 39,898      | 0.5                        | 0.5         |

The appropriations of earnings for 2015 had been proposed by BizLink's board of directors on March 15, 2016. The appropriation and dividends per share were as follows:

|                 | <b>Appropriations<br/>of Earnings</b> | <b>Dividends<br/>Per Share</b> |
|-----------------|---------------------------------------|--------------------------------|
| Legal reserve   | \$ 75,995                             | \$ -                           |
| Cash dividends  | 505,005                               | 5.5                            |
| Share dividends | 45,910                                | 0.5                            |

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2014 are subject to the resolution of the shareholders' meeting to be held on June 15, 2016.

d. Other equity items

Exchange differences on translating foreign operations:

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2015</b>                           | <b>2014</b>       |
| Balance at January 1  | \$ 228,059                            | \$ 82,550         |
| Exchange differences on translating foreign operations      | (278,490)                             | (73,274)          |
| Exchange differences arising on translation to presentation | <u>152,777</u>                        | <u>218,783</u>    |
| Balance at December 31                                      | <u>\$ 102,346</u>                     | <u>\$ 228,059</u> |

## 24. NET PROFIT (LOSS) FROM OPERATIONS

a. Other income

|                           | <b>For the Year Ended December 31</b> |                  |
|---------------------------|---------------------------------------|------------------|
|                           | <b>2015</b>                           | <b>2014</b>      |
| Interest income           |                                       |                  |
| Bank deposits             | \$ 11,699                             | \$ 13,831        |
| Government grants revenue | 8,355                                 | 10,166           |
| Others                    | <u>32,561</u>                         | <u>9,021</u>     |
|                           | <u>\$ 52,615</u>                      | <u>\$ 33,018</u> |

b. Other gains and losses

|  | <b>For the Year Ended December 31</b> |                  |
|--|---------------------------------------|------------------|
|  | <b>2015</b>                           | <b>2014</b>      |
| Loss on disposal of property, plant and equipment                          | \$ (9,396)                            | \$ (4,609)       |
| Loss on disposal of intangible asset                                       | -                                     | (3)              |
| Net foreign exchange gains   | 193,790                               | 51,004           |
| Net (loss)/gain arising on financial assets classified as held for trading | 11,304                                | (8,995)          |
| Net loss arising on financial liabilities classified as held for trading   | (30,170)                              | (15,447)         |
| Impairment loss recognized on financial assets measured at cost (Note 8)   | (19,043)                              | -                |
| Others   | <u>(4,614)</u>                        | <u>(5,051)</u>   |
|  | <u>\$ 141,871</u>                     | <u>\$ 16,899</u> |

c. Finance costs

|                               | <b>For the Year Ended December 31</b> |                    |
|-------------------------------|---------------------------------------|--------------------|
|                               | <b>2015</b>                           | <b>2014</b>        |
| Interest on bank loans        | \$ (9,495)                            | \$ (8,149)         |
| Interest on convertible bonds | <u>(6,511)</u>                        | <u>(2,935)</u>     |
|                               | <u>\$ (16,006)</u>                    | <u>\$ (11,084)</u> |

d. Depreciation and amortization

|   | <b>For the Year Ended December 31</b> |                   |
|---|---------------------------------------|-------------------|
|   | <b>2015</b>                           | <b>2014</b>       |
| Property, plant and equipment           | \$ 171,949                            | \$ 145,205        |
| Intangible assets                       | <u>18,459</u>                         | <u>16,804</u>     |
|   | <u>\$ 190,408</u>                     | <u>\$ 162,009</u> |
| (                                       |                                       |                   |
| An analysis of depreciation by function |                                       |                   |
| Operating costs                         | \$ 125,695                            | \$ 109,015        |
| Operating expenses                      | <u>46,254</u>                         | <u>36,190</u>     |
|   | <u>\$ 171,949</u>                     | <u>\$ 145,205</u> |
| An analysis of amortization by function |                                       |                   |
| Operating costs                         | \$ 885                                | \$ 872            |
| Selling and marketing expenses          | 79                                    | 510               |
| General and administrative expenses     | 15,090                                | 13,440            |
| Research and development expenses       | <u>2,405</u>                          | <u>1,982</u>      |
|   | <u>\$ 18,459</u>                      | <u>\$ 16,804</u>  |

e. Employee benefits expense

|  | <b>For the Year Ended December 31</b> |                     |
|--|---------------------------------------|---------------------|
|  | <b>2015</b>                           | <b>2014</b>         |
| Salary expense                                       | <u>\$ 1,738,814</u>                   | <u>\$ 1,690,217</u> |
| Other employee benefits                              | <u>144,957</u>                        | <u>101,905</u>      |
| Post-employment benefits (Note 22)                   |                                       |                     |
| Defined contribution plans                           | 89,943                                | 71,837              |
| Defined benefit plans                                | <u>245</u>                            | <u>224</u>          |
|  | <u>90,188</u>                         | <u>72,061</u>       |
| Share-based payments                                 |                                       |                     |
| Equity-settled share-based payments                  | <u>-</u>                              | <u>5,384</u>        |
| Total employee benefits expense                      | <u>\$ 1,973,959</u>                   | <u>\$ 1,869,567</u> |
| An analysis of employee benefits expense by function |                                       |                     |
| Operating costs                                      | \$ 1,074,102                          | \$ 1,091,407        |
| Operating expenses                                   | <u>899,857</u>                        | <u>778,160</u>      |
|  | <u>\$ 1,973,959</u>                   | <u>\$ 1,869,567</u> |

The current Articles of Incorporation of the Company stipulate the distribution of bonus to employees and remuneration to directors and supervisors at no less than 0% 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 the remuneration to directors and supervisors were \$8,879 thousand, based on historical experience.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company will stipulate the distribution of employees' compensation at no less than 1% and no higher than 10%, and remuneration to directors and supervisors at 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 estimated at \$38,086 thousand and \$8,887 thousand, respectively, representing 3.76% and 0.88%, respectively, of the base net profit. The employees' compensation and remuneration to directors and supervisors in cash for the year ended December 31, 2015 were proposed by the Company's board of directors on March 15, 2016 and are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the shareholders in their meeting to be held on June 15, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

For material differences between these estimates and the amounts proposed by the Board of Directors in the following year, adjustments of the bonus and remuneration are made in the year of the proposal. If the actual amounts subsequently approved at the shareholders' meeting differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013, which were approved in the shareholders' meetings on June 24, 2015 and June 11, 2014, respectively, were as follows:

|   | For the Year Ended December 31 |                 |                |                 |
|---|--------------------------------|-----------------|----------------|-----------------|
|   | 2014                           |                 | 2013           |                 |
|   | Cash Dividends                 | Share Dividends | Cash Dividends | Share Dividends |
| Bonus to employees                        | \$ -                           | \$ -            | \$ -           | \$ -            |
| Remuneration of directors and supervisors | 8,879                          | -               | 8,389          | -               |

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings on June 24, 2015 and June 11, 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 proposed by the Company'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.

## 25. INCOME TAXES RELATING TO OPERATIONS

### a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

|   | For the Year Ended December 31 |                   |
|---|--------------------------------|-------------------|
|   | 2015                           | 2014              |
| Current tax                                     |                                |                   |
| In respect of the current year                  | \$ 220,064                     | \$ 205,382        |
| Income tax on unappropriated earnings           | 713                            | 4,117             |
| Adjustments for prior periods                   | <u>(3,723)</u>                 | <u>(1,037)</u>    |
|   | <u>217,054</u>                 | <u>208,462</u>    |
| Deferred tax                                    |                                |                   |
| In respect of the current year                  | <u>(11,804)</u>                | <u>(8,013)</u>    |
| Income tax expense recognized in profit or loss | <u>\$ 205,250</u>              | <u>\$ 200,449</u> |

A reconciliation of accounting profit and income tax expense was as follows:

|  | <b>For the Year Ended December 31</b> |                   |
|--|---------------------------------------|-------------------|
|  | <b>2015</b>                           | <b>2014</b>       |
| Profit before tax from operations                                | <u>\$ 965,200</u>                     | <u>\$ 817,383</u> |
| Income tax expense calculated at the statutory rate              | \$ 247,109                            | \$ 168,930        |
| Nondeductible expenses in determining taxable income             | 2,113                                 | 4,385             |
| Tax-exempt income  | (189)                                 | -                 |
| Additional income tax under the Alternative Minimum Tax Act      | 1,592                                 | 1,345             |
| Income tax on unappropriated earnings                            | 713                                   | 4,117             |
| Unrecognized loss carryforwards/deductible temporary differences | (42,365)                              | 22,709            |
| Adjustments to prior years' tax                                  | <u>(3,723)</u>                        | <u>(1,037)</u>    |
| Income tax expense recognized in profit or loss                  | <u>\$ 205,250</u>                     | <u>\$ 200,449</u> |

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company in ROC. The applicable tax rate used by subsidiaries in China is 25% except for BizLink (Kun shan) Co., Ltd., BizConn International Corp. (China) in 2015 and 2014 and for Xiang Yao Electronics (Shen Zhen) Co., Ltd. in 2015 which used tax rate of 15% due to their status as holders and for of high-tech enterprise certificate. The applicable tax rates used by the subsidiaries in the US are 34% for Federal tax and 8.84% for California State tax. The applicable tax rate used by the subsidiaries in Ireland is 12.5% according to local law. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

|  | <b>For the Year Ended December 31</b> |                |
|--|---------------------------------------|----------------|
|  | <b>2015</b>                           | <b>2014</b>    |
| <u>Deferred tax</u>                                |                                       |                |
| In respect of the current year:                    |                                       |                |
| Actuarial gains and losses on defined benefit plan | <u>\$ (149)</u>                       | <u>\$ (31)</u> |

c. Current tax assets and liabilities

|                         | <b>December 31</b> |                  |
|-------------------------|--------------------|------------------|
|                         | <b>2015</b>        | <b>2014</b>      |
| Current tax assets      |                    |                  |
| Tax refund receivable   | <u>\$ 21,480</u>   | <u>\$ 5,047</u>  |
| Current tax liabilities |                    |                  |
| Income tax payable      | <u>\$ 101,297</u>  | <u>\$ 95,838</u> |



d. Deferred tax assets and liabilities

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

| For the Year Ended December 31, 2015 |                    |                                 |   |                         |                    |
|--------------------------------------|--------------------|---------------------------------|---|-------------------------|--------------------|
|                                      | Opening<br>Balance | Recognized in<br>Profit or Loss | Recognized in<br>Other<br>Comprehen-<br>sive Income | Exchange<br>Differences | Closing<br>Balance |
| <u>Deferred tax assets</u>           |                    |                                 |   |                         |                    |
| Temporary differences                |                    |                                 |   |                         |                    |
| Property, plant and equipment        | \$ 718             | \$ 1,636                        | \$ -  | \$ 83                   | \$ 2,437           |
| Payable for annual leave             | 10,909             | 1,732                           | -   | 280                     | 12,921             |
| Write-down on inventories            | 14,012             | (1,890)                         | -   | 112                     | 12,234             |
| Defined benefit obligation           | 317                | (71)                            | 149   | -                       | 395                |
| Unrealized profit                    | 35,143             | 15,064                          | -   | 1,808                   | 52,015             |
| Others                               | <u>3,598</u>       | <u>678</u>                      | <u>-</u>  | <u>154</u>              | <u>4,430</u>       |
|                                      | <u>\$ 64,697</u>   | <u>\$ 17,149</u>                | <u>\$ 149</u>                                       | <u>\$ 2,437</u>         | <u>\$ 84,432</u>   |
| <u>Deferred tax liabilities</u>      |                    |                                 |   |                         |                    |
| Temporary differences                |                    |                                 |   |                         |                    |
| Others                               | <u>\$ 2,101</u>    | <u>\$ 5,345</u>                 | <u>\$ -</u>   | <u>\$ (93)</u>          | <u>\$ 7,353</u>    |
| For the Year Ended December 31, 2014 |                    |                                 |   |                         |                    |
|                                      | Opening<br>Balance | Recognized in<br>Profit or Loss | Recognized in<br>Other<br>Comprehen-<br>sive Income | Exchange<br>Differences | Closing<br>Balance |
| <u>Deferred tax assets</u>           |                    |                                 |   |                         |                    |
| Temporary differences                |                    |                                 |   |                         |                    |
| Property, plant and equipment        | \$ 1,135           | \$ (461)                        | \$ -  | \$ 44                   | \$ 718             |
| Payable for annual leave             | 9,634              | 1,004                           | -   | 271                     | 10,909             |
| Write-down on inventories            | 11,006             | 2,368                           | -   | 638                     | 14,012             |
| Defined benefit obligation           | 294                | (8)                             | 31  | -                       | 317                |
| Unrealized profit                    | 28,006             | 5,257                           | -   | 1,880                   | 35,143             |
| Others                               | <u>3,164</u>       | <u>233</u>                      | <u>-</u>  | <u>201</u>              | <u>3,598</u>       |
|                                      | <u>\$ 53,239</u>   | <u>\$ 8,393</u>                 | <u>\$ 31</u>  | <u>\$ 3,034</u>         | <u>\$ 64,697</u>   |
| <u>Deferred tax liabilities</u>      |                    |                                 |   |                         |                    |
| Temporary differences                |                    |                                 |   |                         |                    |
| Others                               | <u>\$ 1,729</u>    | <u>\$ 380</u>                   | <u>\$ -</u>   | <u>\$ (8)</u>           | <u>\$ 2,101</u>    |

- e. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets.

| December 31        |        |             |
|--------------------|--------|-------------|
|                    | 2015   | 2014        |
| Loss carryforwards |        |             |
| Expire in 2015     | \$ -   | \$ 13,445   |
| Expire in 2016     | 11,264 | 19,359      |
| Expire in 2017     | 22,643 | 22,870      |
| Expire in 2018     | 20,356 | 24,684      |
| Expire in 2019     | 20,860 | 220         |
|                    |        | (Continued) |

|                                  | December 31       |                   |
|----------------------------------|-------------------|-------------------|
|                                  | 2015              | 2014              |
| Expire in 2020                   | \$ 3,719          | \$ 138            |
| Expire in 2021                   | 52,439            | 54,106            |
| Expire in 2022                   | 37,123            | 35,823            |
| Expire in 2023                   | 30,255            | 29,197            |
| Expire in 2024                   | 9,933             | 9,585             |
| Expire in 2025                   | 809               | 781               |
| Expire in 2035                   | <u>1,207</u>      | <u>-</u>          |
|                                  | <u>\$ 210,608</u> | <u>\$ 210,208</u> |
| Investment credits               | <u>\$ 11,518</u>  | <u>\$ 11,115</u>  |
| Deductible temporary differences | <u>\$ 92,173</u>  | <u>\$ 51,356</u>  |
|                                  |                   | (Concluded)       |

f. Information about unused investment credits, unused loss carryforward and tax-exemption

As of December 31, 2015, investment tax credits comprised of:

| Tax Credit Source                     | Remaining<br>Creditable<br>Amount | Expiry Year |
|---------------------------------------|-----------------------------------|-------------|
| Research and development expenditures | \$ 792                            | 2020        |
|                                       | 5,229                             | 2021        |
|                                       | 3,749                             | 2022        |
|                                       | <u>1,748</u>                      | 2023        |
|                                       | <u>\$ 11,518</u>                  |             |

Loss carryforwards as of December 31, 2015 comprised of:

| Unused<br>Amount  | Expiry Year |
|-------------------|-------------|
| \$ 11,264         | 2016        |
| 22,643            | 2017        |
| 20,356            | 2018        |
| 20,860            | 2019        |
| 3,719             | 2020        |
| 52,439            | 2021        |
| 37,123            | 2022        |
| 30,255            | 2023        |
| 9,933             | 2024        |
| 809               | 2025        |
| <u>1,207</u>      | 2035        |
| <u>\$ 210,608</u> |             |

g. Income tax assessment

As of December 31, 2015, the Company has no unsettled lawsuit.

## 26. EARNINGS PER SHARE

|  | <u>For the Year Ended December 31</u> |                   |
|--|---------------------------------------|-------------------|
|  | <u>2015</u>                           | <u>2014</u>       |
| Basic earnings per share   |                                       |                   |
| Net income   | \$ 759,950                            | \$ 616,934        |
| Weighted average number of ordinary shares in computation of basic earnings per share    | <u>91,573</u>                         | <u>88,964</u>     |
| Basic earnings per share   | <u>\$ 8.30</u>                        | <u>\$ 6.93</u>    |
| Diluted earnings per share   |                                       |                   |
| Net income   | \$ 759,950                            | \$ 616,934        |
| Effect of potentially dilutive ordinary shares:  |                                       |                   |
| Interest on convertible bonds (after tax)  | -                                     | 2,935             |
| Gain on valuation of converted bonds   | <u>-</u>                              | <u>(6,469)</u>    |
| Earnings used in the computation of diluted earnings per share from continuing operation | <u>\$ 759,950</u>                     | <u>\$ 613,400</u> |
| Weighted average number of ordinary shares in computation of basic earnings per share    | 91,573                                | 88,964            |
| Effect of potentially dilutive ordinary shares:  |                                       |                   |
| Convertible bonds  | -                                     | 663               |
| Bonus to employees   | 261                                   | -                 |
| Employee share option  | <u>191</u>                            | <u>626</u>        |
| Weighted average number of ordinary shares in computation of basic earnings per share    | <u>92,025</u>                         | <u>90,253</u>     |
| Diluted earnings per share   | <u>\$ 8.26</u>                        | <u>\$ 6.80</u>    |

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 4, 2015. This adjustment caused the basic and diluted after-tax earnings per share for the year ended December 31, 2014 to decrease from NT\$7.28 to NT\$6.93 and from NT\$7.14 to NT\$6.80, respectively.

BizLink offered to settle bonuses paid to employees in cash or shares, BizLink assumed the entire amount of the bonus would 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, if the effect is dilutive. Such dilutive effect of the potential shares was 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.

The outstanding convertible bonds issued by BizLink on July 30, 2014 were converted to ordinary shares in 2015, they were anti-dilutive and excluded from the computation of diluted earnings per share.

## 27. SHARE-BASED PAYMENT ARRANGEMENTS

### a. Employee share option plan

Qualified employees of BizLink and its subsidiaries were granted 3,922,000 options on October 15, 2010. Each option entitles the holder to subscribe for one common share of BizLink. The options granted are valid for 6 years and exercisable at certain percentages after the first anniversary from the grant date. According to the regulations of stock option, the option should be granted at an exercise price no less than the net asset value per share on the grant date stated in the latest audited or reviewed consolidated financial statement. For any subsequent changes in BizLink's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

|  | For the Year Ended December 31 |  |                      |  |
|--|--------------------------------|--|----------------------|--|
|  | 2015                           |  | 2014                 |  |
|  | Number of<br>Options           | Weighted-<br>average<br>Exercise Price<br>(NT\$) | Number of<br>Options | Weighted-<br>average<br>Exercise Price<br>(NT\$) |
| Balance at January 1                                   | 508,500                        | \$ 43.7  | 1,104,500            | \$ 47.60   |
| Options granted  | -                              | -  | -                    | -  |
| Options forfeited                                      | (10,000)                       | -  | (13,500)             | -  |
| Options exercised                                      | <u>(312,000)</u>               | 43.08  | <u>(582,500)</u>     | 44.49  |
| Balance at December 31                                 | <u>186,500</u>                 | 40.5   | <u>508,500</u>       | 43.70  |
| Options exercisable, end of<br>period                  | <u>186,500</u>                 | 40.5*  | <u>508,500</u>       | 43.70*   |
| Weighted-average fair value of<br>options granted (\$) | <u>\$ -</u>                    |  | <u>\$ -</u>          |  |

\* BizLink adjusted weighted-average share price of employee share options by prescribed formula, due to the issuance of share dividends and common stock for cash.

The weighted-average share prices at the date of exercise of share options for the years ended December 31, 2015 and 2014 were NT\$126.67 and NT\$119.35, respectively.

Information about outstanding options as of December 31, 2015 and 2014 was as follows:

|   | December 31 |          |
|---|-------------|----------|
|   | 2015        | 2014     |
| Range of exercise price (NT\$)                      | \$ 40.50    | \$ 43.70 |
| Weighted-average remaining contractual life (years) | -           | 0.04     |

Options granted in October 2010 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

|                              | October 2010  |
|------------------------------|---------------|
| Grant-date share price (\$)* | 60            |
| Exercise price (\$)          | 60            |
| Expected volatility          | 37.19%-38.12% |
| Expected life (years)        | 4.25          |
| Expected dividend yield      | -             |
| Risk-free interest rate      | 0.75%-1.07%   |

\* Grant-date share price was based on the fair value per share of enterprise appraisal report issued by the actuary in September 2010.

Compensation cost recognized was NT\$0 and NT\$2,374 thousand for the years ended December 31, 2015 and 2014, respectively. Forfeited employee share option reclassified to other capital surplus was NT\$0 thousand and NT\$429 thousand for the years ended December 31, 2015 and 2014, respectively.

## 28. NON-CASH TRANSACTIONS

The amount of convertible bonds converted to ordinary shares and capital surplus was NT\$44,566 thousand and NT\$0 thousand in the years ended December 31, 2015 and 2014, respectively (refer to Notes 19 and 23).

## 29. OPERATING LEASE ARRANGEMENTS

### The Company as Lessee

Operating leases relate to leases of buildings with lease terms between 1 and 15 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Company does not have a bargain purchase option to acquire the leased buildings at the expiration of the lease periods.

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

|  | December 31       |                   |
|--|-------------------|-------------------|
|  | 2015              | 2014              |
| Not later than 1 year                        | \$ 28,679         | \$ 94,548         |
| Later than 1 year and not later than 5 years | 60,420            | 315,955           |
| Later than 5 years                           | <u>37,065</u>     | <u>378,118</u>    |
|  | <u>\$ 126,164</u> | <u>\$ 788,621</u> |

## 30. CAPITAL MANAGEMENT

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

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

The Company is not subject to any externally imposed capital requirements.

Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, or the amount of new debt issued or existing debt redeemed.

### 31. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments

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

Except as detailed in the following table, management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

|  | December 31       |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2015              |                   | 2014              |                   |
|  | Carrying Amount   | Fair Value        | Carrying Amount   | Fair Value        |
| <u>Financial liabilities</u>                     |                   |                   |                   |                   |
| Financial liabilities measured at amortized cost |                   |                   |                   |                   |
| Convertible bonds                                | <u>\$ 150,904</u> | <u>\$ 189,920</u> | <u>\$ 180,836</u> | <u>\$ 209,000</u> |

##### 2) Fair value hierarchy

##### December 31, 2015

|  | Level 1           | Level 2     | Level 3     | Total             |
|--|-------------------|-------------|-------------|-------------------|
| <u>Financial liabilities</u>                     |                   |             |             |                   |
| Financial liabilities measured at amortized cost |                   |             |             |                   |
| Convertible bonds                                | <u>\$ 189,920</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 189,920</u> |

##### December 31, 2014

|  | Level 1           | Level 2     | Level 3     | Total             |
|--|-------------------|-------------|-------------|-------------------|
| <u>Financial liabilities</u>                     |                   |             |             |                   |
| Financial liabilities measured at amortized cost |                   |             |             |                   |
| Convertible bonds                                | <u>\$ 209,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 209,000</u> |

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

1) Fair value hierarchy

December 31, 2015

|  | Level 1         | Level 2          | Level 3          | Total            |
|--|-----------------|------------------|------------------|------------------|
| Financial assets at FVTPL                        |                 |                  |                  |                  |
| Non-derivative financial assets held for trading | \$ 2,079        | \$ -             | \$ -             | \$ 2,079         |
|  | <u>\$ 2,079</u> | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 2,079</u>  |
| Financial liabilities at FVTPL                   |                 |                  |                  |                  |
| Derivative financial liabilities                 | \$ -            | \$ 10,945        | \$ -             | \$ 10,945        |
| Convertible bonds                                | -               | -                | 30,655           | 30,655           |
|  | <u>\$ -</u>     | <u>\$ 10,945</u> | <u>\$ 30,655</u> | <u>\$ 41,600</u> |

December 31, 2014

|  | Level 1         | Level 2          | Level 3          | Total            |
|--|-----------------|------------------|------------------|------------------|
| Financial assets at FVTPL                        |                 |                  |                  |                  |
| Derivative financial assets                      | \$ -            | \$ 302           | \$ -             | \$ 302           |
| Non-derivative financial assets held for trading | 2,745           | -                | -                | 2,745            |
|  | <u>\$ 2,745</u> | <u>\$ 302</u>    | <u>\$ -</u>      | <u>\$ 3,047</u>  |
| Financial liabilities at FVTPL                   |                 |                  |                  |                  |
| Derivative financial liabilities                 | \$ -            | \$ 22,450        | \$ -             | \$ 22,450        |
| Convertible bonds                                | -               | -                | 10,780           | 10,780           |
|  | <u>\$ -</u>     | <u>\$ 22,450</u> | <u>\$ 10,780</u> | <u>\$ 33,230</u> |

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2014

|   | Convertible Bonds |
|---|-------------------|
| <u>Financial liabilities</u>                                      |                   |
| Balance at January 1, 2014  | \$ -              |
| Recognized in profit or loss (included in other gains and losses) |                   |
| Unrealized  | <u>10,780</u>     |
| Balance at December 31, 2014                                      | <u>\$ 10,780</u>  |

For the year ended December 31, 2015

**Convertible  
Bonds**

Financial liabilities

|   |                  |
|---|------------------|
| Balance at January 1, 2015  | \$ 10,780        |
| Recognized in profit or loss (included in other gains and losses) |                  |
| Unrealized  | 27,998           |
| Reclassified to capital surplus                                   | <u>(8,123)</u>   |
| Balance at December 31, 2015                                      | <u>\$ 30,655</u> |

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

Financial Instruments

Valuation Techniques and Inputs

Derivatives - foreign currency  
forward contracts and  
foreign exchange options

Discounted cash flow.

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.

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

Financial Instruments

Valuation Techniques and Inputs

Convertible bonds option

The binomial tree evaluation model of convertible bonds:

Consider the duration, the stock price and its volatility of the convertible bond objection, conversion price, risk-free rate of interest, risk discount rate, and liquidity risk of the convertible bonds and other factors. The significant unobservable input is the stock volatility.

c. Categories of financial instruments

|   | <u>December 31</u> |             |
|---|--------------------|-------------|
|   | <u>2015</u>        | <u>2014</u> |
| <u>Financial assets</u>                   |                    |             |
| Fair value through profit or loss (FVTPL) |                    |             |
| Held for trading                          | \$ 2,079           | \$ 3,047    |
| Loans and receivables (1)                 | 3,496,200          | 3,203,475   |
| Financial assets measured at cost         | 168,072            | 149,508     |
| <u>Financial liabilities</u>              |                    |             |
| Fair value through profit or loss (FVTPL) |                    |             |
| Held for trading                          | 41,600             | 33,230      |
| Amortized cost (2)                        | 2,109,250          | 1,868,515   |



- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes and trade receivables (including related parties), other receivables, other financial assets and refundable deposits (included in other non-current asset).
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes and trade payables, other payables, current portion of long-term borrowings, bonds payable, long-term borrowings, and guarantee deposit received (included in other non-current liabilities).

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debt investments, trade receivables, trade payables, bonds payable and borrowings. The Company's Corporate Treasury function provides services to the business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including forward foreign exchange contracts to hedge the exchange rate risk arising on the export.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 36.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the subsidiaries using the non-U.S. dollar functional currency sensitivity to a 1% increase and decrease in U.S. dollars. A sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit when U.S. dollars weakens by 1% against the relevant currency. For a 1% strengthening of U.S. dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

|                | <b>USD Impact</b>                     |             |
|----------------|---------------------------------------|-------------|
|                | <b>For the Year Ended December 31</b> |             |
|                | <b>2015</b>                           | <b>2014</b> |
| Profit or loss | \$ 22,963                             | \$ 11,103   |

This was mainly attributable to the exposure outstanding on U.S. dollar receivables and payables, which were not hedged at the end of the reporting period.

The Company's sensitivity to foreign currency increased during the current period mainly due to increase in foreign currency trade receivables.

The following table details the Company's sensitivity to a 1% increase and decrease in RMB against the option contract. The sensitivity analysis included only the option contracts of the financial assets and liabilities at FVTPL, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in post-tax profit when RMB strengthens by 1% against U.S. dollar. For a 1% weakening of RMB against U.S. dollar, there would be an equal and opposite impact on post-tax profit and the balances below would be negative.

|                | <b>RMB Strengthen 1%</b>              |             | <b>RMB Weaken 1%</b>                  |             |
|----------------|---------------------------------------|-------------|---------------------------------------|-------------|
|                | <b>For the Year Ended December 31</b> |             | <b>For the Year Ended December 31</b> |             |
|                | <b>2015</b>                           | <b>2014</b> | <b>2015</b>                           | <b>2014</b> |
| Profit or loss | \$ 801                                | \$ 4,800    | \$ (890)                              | \$ (7,608)  |

This was mainly attributable to the option contracts of unrealized financial assets and liabilities at FVTPL (see Note 7).

b) Interest rate risk

The carrying amounts of the Company'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> |
| Interest rate risk on fair value |                    |             |
| Financial assets                 | \$ 576,917         | \$ 509,363  |
| Financial liabilities            | 346,776            | 245,786     |
| Interest rate risk on cash flow  |                    |             |
| Financial assets                 | 915,108            | 937,063     |
| Financial liabilities            | 305,221            | 322,085     |

### Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates of 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 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2015 and 2014 would have increased/decreased by NT\$6,099 thousand and NT\$6,150 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposit and bank borrowings.

The Company's sensitivity to interest rates decreased during the current period mainly due to the decrease in variable rate debt instruments.

#### c) Other price risk

The Company did not have significant risk exposed to equity price risk through its investments in listed equity securities, because the amounts of investment were considered immaterial.

### 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation would arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company's concentration of credit risk of 22% and 23% of total trade receivables as of December 31, 2015 and 2014, respectively, was related to the Company's three largest customers.

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2015 and 2014, the Company had available unutilized short-term bank loan facilities set out below.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

The following tables show details of the Company'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 Company can be required to pay. The tables included both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates of other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2015

(Amount in Thousands of New Taiwan Dollars)

|   | Less Than 3<br>Month | 3 Months to<br>1 Year | 1 to 5 Years      | More<br>Than 5 Years |
|---|----------------------|-----------------------|-------------------|----------------------|
| <u>Non-derivative<br/>financial liabilities</u> |                      |                       |                   |                      |
| Non-interest bearing                            | \$ 1,407,295         | \$ 49,958             | \$ -              | \$ -                 |
| Borrowing at floating interest                  | 5,529                | 16,446                | 173,747           | 141,937              |
| Borrowing at fixed interest                     | <u>196,045</u>       | <u>-</u>              | <u>160,500</u>    | <u>-</u>             |
|   | <u>\$ 1,608,869</u>  | <u>\$ 66,404</u>      | <u>\$ 334,247</u> | <u>\$ 141,937</u>    |

December 31, 2014

(Amount in Thousands of New Taiwan Dollars)

|   | Less Than 3<br>Month | 3 Months to<br>1 Year | 1 to 5 Years      | More<br>Than 5 Years |
|---|----------------------|-----------------------|-------------------|----------------------|
| <u>Non-derivative<br/>financial liabilities</u> |                      |                       |                   |                      |
| Non-interest bearing                            | \$ 1,148,215         | \$ 152,429            | \$ -              | \$ -                 |
| Borrowing at floating interest                  | 19,786               | 17,057                | 121,067           | 206,568              |
| Borrowing at fixed interest                     | <u>65,137</u>        | <u>-</u>              | <u>200,000</u>    | <u>-</u>             |
|   | <u>\$ 1,233,138</u>  | <u>\$ 169,486</u>     | <u>\$ 321,067</u> | <u>\$ 206,568</u>    |

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Company's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31 2015

|                                       | On<br>Demand or<br>Less than<br>3 Months | 1-3 Months        | 3 Months<br>to 1 Year | 1-5 Years   | 5+ Years    |
|---------------------------------------|--|-------------------|-----------------------|-------------|-------------|
| <u>Net settled</u>                    |  |                   |                       |             |             |
| Foreign exchange<br>forward contracts | \$ (952)                                 | \$ (1,167)        | \$ (3,041)            | \$ -        | \$ -        |
| Foreign exchange<br>options           | <u>(3,857)</u>                           | <u>(1,928)</u>    | <u>-</u>              | <u>-</u>    | <u>-</u>    |
|                                       | <u>\$ (4,809)</u>                        | <u>\$ (3,095)</u> | <u>\$ (3,041)</u>     | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2014

|                                       | On<br>Demand or<br>Less than<br>3 Months | 1-3 Months        | 3 Months<br>to 1 Year | 1-5 Years         | 5+ Years    |
|---------------------------------------|--|-------------------|-----------------------|-------------------|-------------|
| <u>Net settled</u>                    |  |                   |                       |                   |             |
| Foreign exchange<br>forward contracts | \$ (1,573)                               | \$ (2,955)        | \$ (3,444)            | \$ -              | \$ -        |
| Foreign exchange<br>options           | <u>(778)</u>                             | <u>(1,556)</u>    | <u>(10,027)</u>       | <u>(1,815)</u>    | <u>-</u>    |
|                                       | <u>\$ (2,351)</u>                        | <u>\$ (4,511)</u> | <u>\$ (13,471)</u>    | <u>\$ (1,815)</u> | <u>\$ -</u> |

c) Financing facilities

|                                 | <u>December 31</u>  |                     |
|---------------------------------|---------------------|---------------------|
|                                 | <u>2015</u>         | <u>2014</u>         |
| Ssecured bank loan facilities:  |                     |                     |
| Amount used                     | \$ 369,721          | \$ 373,156          |
| Amount unused                   | <u>27,166</u>       | <u>50</u>           |
|                                 | <u>\$ 396,887</u>   | <u>\$ 373,206</u>   |
| Unsecured bank loan facilities: |                     |                     |
| Amount used                     | \$ 131,372          | \$ 13,879           |
| Amount unused                   | <u>1,314,376</u>    | <u>1,212,478</u>    |
|                                 | <u>\$ 1,445,748</u> | <u>\$ 1,226,357</u> |

### 32. TRANSACTIONS WITH RELATED PARTIES

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

#### a. Sales of goods

| Line Items | Related Party Categories | For the Year Ended December 31 |                  |
|------------|--------------------------|--------------------------------|------------------|
|            |                          | 2015                           | 2014             |
| Sales      | Associates               | <u>\$ 36,937</u>               | <u>\$ 38,975</u> |

The selling price for related is set with agreement between both parties. The credit period for related parties was 30 days after the end of the month. The credit period for third parties was 0 to 120 days after the end of the month.

#### b. Trade receivables from related parties

| Line Items                             | Related Party Categories | For the Year Ended December 31 |                 |
|--|--------------------------|--------------------------------|-----------------|
|  |                          | 2015                           | 2014            |
| Trade receivables from related parties | Associates               | <u>\$ 2,753</u>                | <u>\$ 6,673</u> |

The outstanding trade receivables from related parties are unsecured and will be settled in cash. For the years ended December 31, 2015 and 2014, no impairment loss was recognized for trade receivables from related parties.

#### c. Prepayments

| Line Items  | Related Party Categories | December 31 |                  |
|-------------|--------------------------|-------------|------------------|
|             |                          | 2015        | 2014             |
| Prepayments | Other related parties    | <u>\$ -</u> | <u>\$ 40,987</u> |

#### d. Other transactions with related parties

| Line Items   | Related Party Categories | December 31      |                  |
|--|--------------------------|------------------|------------------|
|  |                          | 2015             | 2014             |
| Refundable deposits (included in other - current asset)                    | Other related parties    | <u>\$ 15,681</u> | <u>\$ 13,828</u> |
| Rental expenses (recorded as cost of goods sold - manufacturing expenses)* | Other related parties    | <u>\$ 36,827</u> | <u>\$ 33,800</u> |
| Rental expenses (recorded as operating expenses)*                          | Other related parties    | <u>\$ 23,830</u> | <u>\$ 22,000</u> |

\* The rental expenses were based on active market price, paid quarterly.

e. Compensation of key management personnel

For the years ended December 31, 2015 and 2014, the types and amounts of the remuneration of directors and other members of key management personnel were as follows:

|                              | <u>For the Year Ended December 31</u> |                  |
|------------------------------|---------------------------------------|------------------|
|                              | <u>2015</u>                           | <u>2014</u>      |
| Short-term employee benefits | \$ 45,359                             | \$ 42,945        |
| Share-based payments         | <u>-</u>                              | <u>1,360</u>     |
|                              | <u>\$ 45,359</u>                      | <u>\$ 44,305</u> |

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

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

The following assets were provided as collateral for bank borrowings:

|  | <u>December 31</u> |                   |
|--|--------------------|-------------------|
|  | <u>2015</u>        | <u>2014</u>       |
| Pledged deposit (classified as other financial assets - current)   | \$ 1,532           | \$ 1,811          |
| Bank deposits (classified as other financial assets - non-current) | 17,036             | 17,609            |
| Freehold land  | 213,654            | 208,028           |
| Buildings  | <u>316,733</u>     | <u>302,859</u>    |
|  | <u>\$ 548,955</u>  | <u>\$ 530,307</u> |

### 34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

#### Significant commitments

Unrecognized commitments are as follows:

|  | <u>December 31</u> |                  |
|--|--------------------|------------------|
|  | <u>2015</u>        | <u>2014</u>      |
| Acquisition of property, plant and equipment | <u>\$ 15,912</u>   | <u>\$ 19,639</u> |

### 35. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

- The Company completed the pricing and closing of convertible bonds at January 27, 2016 and March 4, 2016, respectively. The issue amount of the convertible bond is US\$60,000 thousand (with an option of upto US\$20,000 thousand), for a total price US\$80,000 thousand.
- The subsidiary of the Company-BizLink International Corp. acquired a building for their own use in January 2016, for a total purchase price of NT\$339,980 thousand.

- c. In the meeting on March 15, 2016, the Board of directors approved a restricted stock plan of 1,500 thousand shares with a par value of NT\$10.
- d. From January 1, 2016 to March 15, 2016, the amount of convertible bonds converted by the owner of the Bonds was NT\$26,500 thousand, reclassified to 214 thousand shares.

### 36. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

| In Thousands of U.S. Dollars and Foreign Currencies |                    |                  |                        |
|---|--------------------|------------------|------------------------|
| December 31, 2015                                   |                    |                  |                        |
|   | Foreign Currencies | Exchange Rate    | Carrying Amount (NT\$) |
| <u>Financial assets</u>                             |                    |                  |                        |
| Monetary items                                      |                    |                  |                        |
| USD   | \$ 93,463          | 6.4893 (USD:RMB) | \$ 3,071,194           |
| HKD   | 3,436              | 0.8373 (HKD:RMB) | 14,568                 |
| USD   | 7,197              | 7.7502 (USD:HKD) | 236,493                |
| USD   | 8,157              | 0.9143 (USD:EUR) | 268,039                |
| USD   | 3,785              | 4.2900 (USD:MYR) | 124,375                |
| HKD   | 34,592             | 0.1290 (HKD:USD) | 146,666                |
| RMB   | 33,593             | 0.1541 (RMB:USD) | 170,100                |

#### Financial liabilities

|                |        |                  |           |
|----------------|--------|------------------|-----------|
| Monetary items |        |                  |           |
| USD            | 34,085 | 6.4893 (USD:RMB) | 1,120,033 |
| HKD            | 27,173 | 0.8373 (HKD:RMB) | 115,211   |
| USD            | 1,575  | 7.7502 (USD:HKD) | 51,755    |
| HKD            | 2,976  | 0.1290 (HKD:USD) | 12,618    |

| In Thousands of U.S. Dollars and Foreign Currencies |                    |                  |                        |
|---|--------------------|------------------|------------------------|
| December 31, 2014                                   |                    |                  |                        |
|   | Foreign Currencies | Exchange Rate    | Carrying Amount (NT\$) |
| <u>Financial assets</u>                             |                    |                  |                        |
| Monetary items                                      |                    |                  |                        |
| USD   | \$ 85,170          | 6.1224 (USD:RMB) | \$ 2,700,741           |
| HKD   | 4,051              | 0.7892 (HKD:RMB) | 16,556                 |
| USD   | 9,598              | 7.7580 (USD:HKD) | 304,353                |
| USD   | 6,583              | 0.8222 (USD:EUR) | 208,747                |
| USD   | 4,641              | 3.5015 (USD:MYR) | 147,166                |
| HKD   | 74,695             | 0.1289 (HKD:USD) | 305,278                |
| RMB   | 31,525             | 0.1633 (RMB:USD) | 160,620                |

(Continued)



| December 31, 2014            |                    |                  |                        |
|------------------------------|--------------------|------------------|------------------------|
|                              | Foreign Currencies | Exchange Rate    | Carrying Amount (NT\$) |
| <u>Financial liabilities</u> |                    |                  |                        |
| Monetary items               |                    |                  |                        |
| USD                          | \$ 35,184          | 6.1224 (USD:RMB) | \$ 1,115,685           |
| HKD                          | 50,341             | 0.7892 (HKD:RMB) | 205,744                |
| USD                          | 2,094              | 7.7580 (USD:HKD) | 66,401                 |
| HKD                          | 17,186             | 0.1289 (HKD:USD) | 70,239                 |
|                              |                    |                  | (Concluded)            |

### 37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Company's reportable segment is computer related segment, fiber optic segment and other segment. The related information was as follows:

a. Information of reportable segment's gain or loss and assets

| For the Year Ended December 31, 2015                                 |                   |                  |                 |                     |
|--|-------------------|------------------|-----------------|---------------------|
|  | Computer Related  | Fiber Optic      | Others          | Total               |
| Revenues from external customers                                     | \$ 8,105,506      | \$ 288,573       | \$ 22,893       | \$ 8,416,972        |
| Intersegment revenues  | <u>12,225,743</u> | <u>383,868</u>   | <u>219,952</u>  | <u>12,829,563</u>   |
| Segment revenues   | <u>20,331,249</u> | <u>672,441</u>   | <u>242,845</u>  | <u>21,246,535</u>   |
| Eliminations   |                   |                  |                 | <u>(12,829,563)</u> |
| Consolidated revenues  |                   |                  |                 | <u>8,416,972</u>    |
| Segment income   | <u>\$ 775,880</u> | <u>\$ 50,681</u> | <u>\$ 5,171</u> | <u>\$ 831,732</u>   |
| Reportable segment other income                                      |                   |                  |                 | \$ 52,615           |
| Reportable segment other gains and losses                            |                   |                  |                 | 141,871             |
| Reportable segment compensation of management personnel              |                   |                  |                 | (45,359)            |
| Reportable segment financial cost                                    |                   |                  |                 | (16,006)            |
| Share of profits of associates accounted for using the equity method |                   |                  |                 | <u>347</u>          |
| Reportable segment income before income tax                          |                   |                  |                 | <u>\$ 965,200</u>   |

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

|  | <b>Computer<br/>Related</b> | <b>Fiber Optic</b> | <b>Others</b>    | <b>Total</b>        |
|--|-----------------------------|--------------------|------------------|---------------------|
| Revenues from external customers                                     | \$ 7,267,731                | \$ 153,922         | \$ 60,358        | \$ 7,482,011        |
| Intersegment revenues  | <u>11,011,331</u>           | <u>100,421</u>     | <u>318,913</u>   | <u>11,430,665</u>   |
| Segment revenues   | <u>18,279,062</u>           | <u>254,343</u>     | <u>379,271</u>   | <u>18,912,676</u>   |
| Eliminations   |                             |                    |                  | <u>(11,430,665)</u> |
| Consolidated revenues  |                             |                    |                  | <u>7,482,011</u>    |
| Segment income   | <u>\$ 841,231</u>           | <u>\$ (41,557)</u> | <u>\$ 23,365</u> | <u>\$ 823,039</u>   |
| Reportable segment other income                                      |                             |                    |                  | \$ 33,018           |
| Reportable segment other gains and losses                            |                             |                    |                  | 16,899              |
| Reportable segment compensation of management personnel              |                             |                    |                  | (44,305)            |
| Reportable segment financial cost                                    |                             |                    |                  | (11,084)            |
| Share of profits of associates accounted for using the equity method |                             |                    |                  | <u>(184)</u>        |
| Reportable segment income before income tax                          |                             |                    |                  | <u>\$ 817,383</u>   |

Segment income represented income from operations earned by each segment without allocation of central administration costs and directors' salaries, in the amount of NT\$45,359 thousand and NT\$44,305 thousand in 2015 and 2014, respectively. 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 Company's revenue from operations from its major products and services.

|                  | <b>For the Year Ended December 31</b> |                     |
|------------------|---------------------------------------|---------------------|
|                  | <b>2015</b>                           | <b>2014</b>         |
| Computer related | \$ 8,105,506                          | \$ 7,267,731        |
| Fiber optic      | 288,573                               | 153,922             |
| Others           | <u>22,893</u>                         | <u>60,358</u>       |
|                  | <u>\$ 8,416,972</u>                   | <u>\$ 7,482,011</u> |

c. Geographical information

The Company operates in two principal geographical areas - the United States (USA) and China.

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

|               | Revenue from External<br>Customers |                     | Non-current Assets  |                     |
|---------------|------------------------------------|---------------------|---------------------|---------------------|
|               | For the Year Ended December 31     |                     | December 31         |                     |
|               | 2015                               | 2014                | 2015                | 2014                |
| United States | \$ 3,363,841                       | \$ 2,731,909        | \$ 629,291          | \$ 513,246          |
| China         | 2,323,344                          | 2,138,085           | 847,920             | 779,800             |
| Germany       | 1,168,122                          | 947,650             | -                   | -                   |
| Taiwan        | 362,724                            | 420,210             | 103,122             | 95,322              |
| Others        | <u>1,198,941</u>                   | <u>1,244,157</u>    | <u>30,982</u>       | <u>8,871</u>        |
|               | <u>\$ 8,416,972</u>                | <u>\$ 7,482,011</u> | <u>\$ 1,611,315</u> | <u>\$ 1,397,239</u> |

Non-current assets exclude non-current assets classified as deferred tax assets, financial assets measured at cost - non-current and investment accounted for using equity method.

d. Information about major customers

The information on customer who contributed 10% or more to the Company's revenue is as follows:

|             | For the Year Ended December 31 |                     |
|-------------|--------------------------------|---------------------|
|             | 2015                           | 2014                |
| Customer A* | \$ -**                         | \$ 731,735          |
| Customer B* | <u>-**</u>                     | <u>727,679</u>      |
|             | <u>\$ -**</u>                  | <u>\$ 1,459,414</u> |

\*: Revenues from computer related.

\*\* : Less than 10% of the Company's revenue.

**BizLink**