

Stock Symbol : 3686



Danen Technology Corporation

## 2015 Annual Report

Notice to readers

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

**Website of Annual Report:**

**Market Observation Post System**

**: <http://mops.twse.com.tw/mops/web/index>**

**Corporate website: <http://www.danentech.com>**

**Print date : May 15<sup>th</sup>, 2016 of Republic of China**

1. Spokesperson and deputy Spokesperson:

Spokesperson: Fang, Jenn-Ming

Title: President

Tel: (03)473-8788

E-mail address:pr@danentech.com

Deputy Spokesperson: Wu, Yu-Yi

Title: Vice President

Tel: (03)473-8788

E-mail address: pr@danentech.com

2. Addresses and phone numbers of headquarters, branch offices and factories:

(1). Headquarters and Wafer Plant 1

Address: No. 599 Huannan Rd., Guanyin Dist., Taoyuan City

Tel: (03)473-8788

(2). Wafer Plant 2

Address: No. 639 Huannan Rd., Guanyin Dist., Taoyuan City

Tel: (03)473-8788

(3). Wafer Plant 3

Address: No.868 Huannan Rd., Guanyin Dist., Taoyuan City

Tel: (03)473-8788

3. Stock transfer agency:

Name: Agency department of Chinatrust Commercial Bank

Address: F5, No. 83, Sec. 1, Chongqing South Rd, Zhongzheng Dist., Taipei City

Tel: (02)2181-1911      website: <http://www.chinatrust.com.tw>

4. CPA of Financial Report in recent years:

Name of firm: PwC Taiwan

Names of accountants: Lee Hisu-Ling, Lin Chun-Yao

Address: F27, No. 333, Sec. 1, Keelung Rd., Taipei City 11012

Tel: (02)2729-6666      website: <http://www.pwc.tw>

5. Names and inquiry methods of oversea exchanges for flotation of securities: None

6. Corporate website: <http://www.danentech.com>

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## I. Report to shareholders

Dear shareholders:

In the past year, the PV Market has been on an "emotional roller coaster", because the China domestic demand growth is weaker than expected in the first half of the year and the final decision of the American Antidumping Duty and Countervailing Duty has no positive incentives toward the Taiwanese industries, which did not enhance the pull-in capability of the end market, the demand moderates and the prices of the whole supply chain are weakening as well. However, in the second half year, as the industry entered the peak season of the system's installation and riding on a strong domestic demand in China, the tax rate of the final decision of the American Antidumping Duty and Countervailing Duty is relatively beneficial to Taiwanese industries. Mean whiles, stimulated by the medium- and long-term policies of the U.S.A., India and the major countries in emerging markets, the product's price is rising again simultaneously due to the demand for the wafer exceeded supply at the end of last year, the market expects that, in the first half of this year, this growth will go on. The Company continuously focuses on the quality of the high-efficiency multi-crystalline wafer and enhancing the conversion efficiency, and also the cost of production will be reduced lower in quarterly basis. Because the growth of the solar energy was slowing down in the first half of last year and the prices of the whole supply chain are weakening, the revenue and the operation were affected; however, the status of the whole operation is stable and healthy.

From the perspective of medium- and long-term development, the use of the renewable energy has become a global consensus, especially the "Paris Agreement" adopted last December. For the clear objective of the carbon reduction, the application and the demand for the solar energy will grow steadily. According to the assessment made by the industry research institutes, driving by the policies of the Chinese, American, Japanese and India markets and the demands of the emerging markets, the growth of the installation of solar energy increased up to 20%, and the installation capacity will still grow up this year. In the future, the Company will retain the stable financial structure and management strategy, lower the costs of the production and focus on enhancing the quality of the high efficiency multi-crystalline wafer and conversion efficiency in order to maintain the unique competitiveness in the market, hoping the business operation would make a profit.

### 1. 2015 Operation Result

#### 1.1 Result of Operation Implementation

Unit : NT\$ Thousand

Item	2015	2014	Growth rate
Operating revenue	1,575,121	1,853,771	(15.03%)
Gross profit (loss)	(454,774)	(398,002)	(14.26%)
Operating income(loss)	(532,787)	(484,143)	(10.05%)
Net income(loss)	(524,851)	(479,564)	(9.44%)

Total Comprehensive loss	(603,838)	(537,100)	(12.43%)
EPS(\$)	(1.73)	(1.55)	(11.61%)

The growth of the solar energy was slowing down in the first half of the year and the prices of the whole supply chain were weakening, so the revenue and the operation in 2015 were affected.

## 1.2 Status of Budget implementation

The Company did not publish the forecast figures of 2015, so the Company has not disclosed the status of budget implementation.

## 1.3 Analysis of financial revenues and Return on investment

Item		2015	2014	
Financial structure	Debt to Total Assets (%)	8.90	9.38	
	Long-term funds to fixed assets (%)	137.86	142.57	
Solvency	Current Ratio (%)	339.30	350.54	
	Quick Ratio (%)	289.42	296.80	
Return on investment	Return on Assets (%)	(11.59)	(9.12)	
	Return on stockholders' equity (%)	(12.83)	(11.58)	
	Ratio of paid-in capital (%)	Operation income to Capital	(15.24)	(13.84)
		Pre-tax income to Capital	(15.01)	(13.71)
	Net income to sales (%)	(38.34)	(28.97)	
	Earnings per share (\$)	(1.73)	(1.55)	

## 1.4 Status of Research and Development

In 2015, our research teams are devoted to the technology development for new materials and new fabrication process. The results are as follows:

**1.4.1** By bringing in new materials, we substantially reduce the side effects during the wafer crystallization process, and then we further improve the quality of the wafer and enhance the customer satisfaction.

**1.4.2** To optimize the fabrication of the wafer efficiency performance plus improvement of cell manufacturing processes of customer, we further increased the average conversion efficiency of our products up to 19.0%.

**1.4.3** By developing the new tools, we substantially reduced the unnecessary loss during the slicing process, while improving the mechanical characteristics of the wafers and meeting the needs of clients on cell yield rate.

## **2. Highlights of Business Operation Plans for 2016**

### **2.1 Management guidelines and Prospect**

**2.1.1** Catch the market growth trends, and stabilize and strengthen the relationship of the industry supply chain.

**2.1.2** Establish stable supply relationship with major raw material suppliers to ensure there is no shortage of main materials supply.

**2.1.3** Strengthen the comprehensive cooperation with strategic clients, and enhance the time line of high efficiency new product and the key technology development.

**2.1.4** Strengthen the strategy of industry-university collaboration and input research resources, enhance the labor force quality, the product quality and corporate image.

### **2.2 Number of Sales forecast and its basis**

Unit : Thousand

Product	Number of Sales forecast
Multi-crystalline Solar Wafer	67,997

The numbers of sales forecast in 2016 are based on the client's demands and the market trends; meanwhile, the Company considers the prices of supply chain are changeable, so the sales target was finalized according to the capacity planning of the Company.

### **2.3 Sales and Production Policy**

**2.3.1** Enhance the capacity utilization to cope with the demand and the growth of the market.

Stabilize the cooperative relationship with the long-term strategic clients and expand the potential clients.

**2.3.2** Catch the technology of high-efficiency multi-crystalline Wafer fabrication of the industry, enhance and expand the supplies, and meet the client's demands for the high-quality products and maintain competitiveness.

**2.3.3** Proceed with the research in application of new technology and materials along with material consumption reduction and new recycling technique, in order to enhance the quality of wafer and lower the costs.

### **2.4 Future Development Strategies**

**2.4.1** Control the core technology of multi-crystalline wafer production, and develop the higher level crystalline materials and wafer technology.

**2.4.2** Strengthen the relationship of the upstream and downstream industries, and cooperate with the foreign and domestic companies, invest in the medium to long-term strategic technology to seize the opportunity and value of the future industry development.

**2.4.3** Catch the supply/demand and evolution of the related technology, carefully invest the resources and strengthen the role of the technology leadership in the industry continuously.

### **2.5 Influences by External Environment, Laws and Regulations and Macro-Environment.**

The demands for conventional energy such as crude oil, gas and coal is still increasing because the emerging countries' demands for the energy are growing rapidly, which caused the conventional energy depletion. Therefore, looking for the alternative energy is an unavoidable and important

industry topic for the economic development in the world. As the solar energy is an inexhaustible energy source. Looking for the future, after the agreement proposed at the Paris climate conference, the main countries in the World would successively invest in the policy support and development of the solar industry. Furthermore, all of the solar energy industries actively lower the costs of the supply chain, which will drive the long-term development and business prosperity for the solar energy industry.

We are thankful for your continuous support to us in these endeavors.

Chairman	Chao, Yuan-San
President	Fang, Jenn-Ming
Chief Account	Wu, Yu-Yi



## II. Company profile

### 1. Date of Incorporation:

November 9<sup>th</sup>, 2007

### 2. Company History

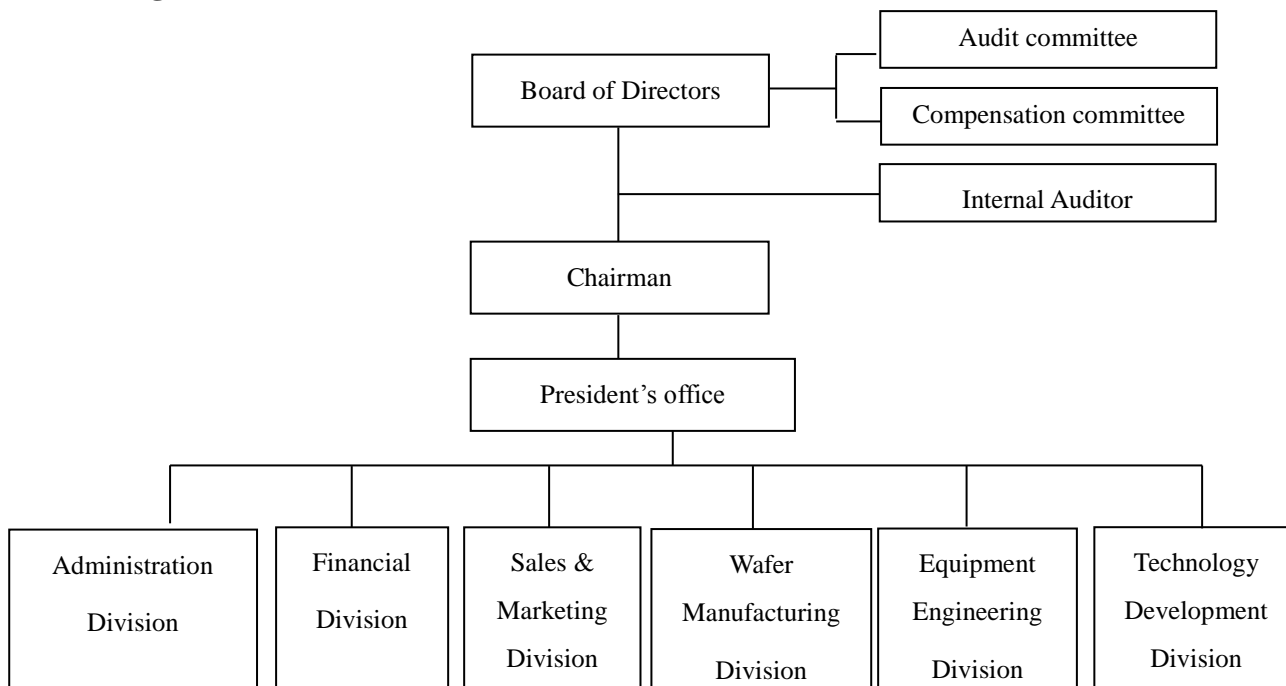
Date	Milestones
2007.11	Official establishment of Danen Technology Cooperation with NT\$ 1 million start-up capital.
2007.11	With NT\$ 249 million SPO, after that, the paid-up capital reached NT\$ 250 million.
2007.12	With NT\$ 65 million SPO, after that, the paid-up capital reached NT\$ 315 million.
2008.02	Wafer Plant 1 construction started and ground breaking.
2008.03	With NT\$ 565 million SPO, after that, the paid-up capital reached NT\$ 880 million.
2008.07	Wafer Plant 1 building finished and the first batch of equipment installation completed and first batch of wafer trials succeeded.
2008.09	The products passed the verification of customers.
2008.10	With NT\$ 30 million SPO, after that, the paid-up capital reached NT\$ 910 million.
2008.12	Won ISO 9001 (2008) certification.
2009.08	With NT\$ 350 million SPO, after that, the paid-up capital reached NT\$ 1.26 billion.
2009.09	Application for public offer.
2009.10	Registered for GEM, code 3686.
2009.12	Passed certifications of ISO14001 and OHSAS18001.
2010.01	Received Certificate for Hi-tech Enterprise or Enterprise with Successful Technology with Market potential by MOEA/IDB.
2010.01	With NT\$ 150 million SPO, after that the paid-up capital reached NT\$ 1.41 billion.
2010.02	Wafer Plant 2 started to be constructed.
2010.06	With NT\$ 66,582,000 convertible Equity warrant, after conversion, the paid-up capital reached NT\$ 1,476,582,000.
2010.07	With NT\$ 168 million SPO, after that, the paid-up capital reached NT\$ 1,644,582,000.
2010.07	Listed in Taiwan Stock Exchange Corporation.
2010.08	Wafer Plant 2 was completed.
2011.01	Wafer Plant 3 started to be constructed.
2011.03	With NT\$ 368million SPO, after that, the paid-up capital reached NT\$ 2,012,582,000
2011.08	SPO from retained earnings with a figure of NT\$ 2,4150,990, after that the paid-in capital reached NT\$ 2,036,732,990
2013.02	With NT\$ 600million SPO, after that, the paid-in capital reached NT\$ 2,636,732,990

- 2013.07 Issued NT\$ 11.5 million restricted stocks, after capital increase, the paid-up capital reached NT\$ 2,648,232,990
- 2014.02 With NT\$ 850 million SPO, after that the paid-up capital reached NT\$ 3,098,232,990
- 2015.01 Wrote off restricted stocks with a figure of NT\$ 1,475,000, after capital decrease, the paid-up capital reached NT\$ 3,496,757,990
- 2015.12 Wrote off restricted stocks with a figure of NT\$ 180,000, after capital decrease, the paid-up capital reached NT\$ 3,496,267,990

### III. Corporate Governance Report

#### 1. Organization

##### 1.1 Organization Chart



##### 1.2 Major Corporate Functions

Department	Functions
Internal Auditor	(1) Assist Departments in adjusting and correcting the errors occurring during the implementation of regulations and systems. (2) Establish systematic and institutionalized systems to assess and audit the management risks and deficiencies. (3) Conduct auditing on a regular or irregular basis to ensure the operation performance and the progresses of improvement of all aspects of business. (4) Internally control all the inspections and auditing affairs assigned by the superiors.
Administration Division	(1) It's responsible for the purchases of supplies, materials and equipment, planning and management of premium, import and export customs. (2) Provide aids for general services administration, planning and implementation of public works. (3) Plan, manage and maintain automated, software or hardware information systems. (4) Manage and maintain the public relations, corporate image and assets. (5) Plan, maintain and manage the policies for industrial safety, environmental protection and health management.

<p>Financial Division</p>	<ol style="list-style-type: none"> <li>(1) Manage the use, dispatching of company funds as well as the relationships with banks.</li> <li>(2) Integrate, compile, analyze and control the company budgets.</li> <li>(3) Pay check requests, organize receipts, audit and publish summons.</li> <li>(4) Prepare relevant documents and affairs for shareholders' meeting and board of directors.</li> <li>(5) Compile and analyze all kinds of costs and financial statements.</li> <li>(6) Declare all kinds of taxes and income taxes withheld</li> </ol>
<p>Sales &amp; Marketing Division</p>	<ol style="list-style-type: none"> <li>(1) Promote new products, project marketing tactics and optimal product assortment.</li> <li>(2) Take charge of product application, develop new markets and customers and match grade of products quality.</li> <li>(3) Plan and implement customer relations and annual performance targets.</li> <li>(4) Project and manage accounts receivable, sales return, agents and distributors.</li> </ol>
<p>Wafer Manufacturing Division</p>	<ol style="list-style-type: none"> <li>(1) It is responsible for capacity planning, management and implementation of capacity expansion.</li> <li>(2) Reduce production costs, improve productivity and products quality as well as excellence rate.</li> <li>(3) Strengthen personnel training and improve work quality.</li> <li>(4) Realize all goals regarding manufacturing and environmental security set by Environment, Safety and Health Committee.</li> </ol>
<p>Equipment Engineering Division</p>	<ol style="list-style-type: none"> <li>(1) Maintain the operational stability of production equipment.</li> <li>(2) Improve the efficiency of production equipment and the realization rate of goals.</li> <li>(3) Conduct costs control and 2nd source import to effectively reduce the costs.</li> <li>(4) Enhance technicians' quality and professional ability.</li> <li>(5) Plan and implement facility and systematical operation.</li> </ol>
<p>Technology Development Division</p>	<ol style="list-style-type: none"> <li>(1) Improve process yield and optimize technologies.</li> <li>(2) Improve product conversion efficiency and quality.</li> <li>(3) Assess, develop and import the relevant materials, product process and equipment of new product.</li> <li>(4) Develop technologies for key materials and cultivate analytical ability for advanced materials.</li> <li>(5) Set up new IPR website and grasp industrial technology development trends.</li> </ol>

## 2. Directors, Supervisors and Management Team

### 2.1 Directors and supervisors

April 2<sup>nd</sup>, 2016 unit :one thousand share;%

Title	Nationality/ Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholdi ng		Spouse & Minor Shareholding		Sharehold ing by Nominee Arrangeme nt		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	relati onshi p
Chairman	R.O.C.	Chao, Yuan-San	2014.6.18	3	2007.11.05	1,044	0.30	909	0.26	0	0	0	0	1.Accounting Department of the City University of Seattle 2.Senior manager of CDIB 3.CFO of Walsin Lihwa Co. 4.Financial vice-president of WSMC 5.Financial vice-president of Winbond Electronics 6.General manager of Lien Tai Capital	1.Chairman of Taiwan Microloops Corp. 2. Director of HannStar Display 3. Director of Hannspree Inc	N/A	N/A	N/A
Vice-Chair man	R.O.C.	Jen, Chao-Ming	2014.6.18	3	2009.11.27	953	0.27	953	0.27	6,377	1.82	0	0	1.M.B.A. TechM of MIT 2.Graduate of EE Department of University of Missouri Columbia 3.Business and Product Marketing Director and Director of Strategy and Investment of Quanta Computer	1.Independent director of Howtch Technology 2. Independent director of Allied Industrial	N/A	N/A	N/A
Director	R.O.C.	Fang, Jenn-Ming	2014.6.18	3	2007.11.05	5,116	1.46	5,116	1.46	1,012	0.29	0	0	1.M.B.A of MIT 2.Graduate of Physics Department of	President of Danen Technology Cooperation	N/A	N/A	N/A

Title	Nationality/ Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholdi ng		Spouse & Minor Shareholding		Shareholdi ng by Nominee Arrangeme nt		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	relati onshi p
														Tsinghua University 3.Wafer Plant assistant manager of Winbond 4.marketing director of electric memories of Winbond				
Independent Director	R.O.C.	Cheng, Yu	2014.6.18	3	2009.11.27	0	0	0	0	0	0	0	0	1.MBA of NCCU 2.Graduate of Department of Economics of Taiwan University 3.Chairman of Central Broadcasting System 4.President of The Association of Terrestrial Television Networks, Taiwan, R.O.C. 5. President of Taiwan Television Enterprise, Inc. 6.The 4 <sup>th</sup> deputy director of Fair Trade Commission 7.The 2 <sup>nd</sup> , 3 <sup>rd</sup> director of Fair Trade Commission 8.Reporter, director, editor-in-chief, deputy president and chief writer of Commercial Times 9.Director of Chunghwa Telecom Co 10.Executive director of China Television	1.Editor-in-chief of Commercial Times 2.Independent director of Formosa Petrochemical 3.Independent director of Formosa Advanced Technologies Company 4.Independent director of Formosa Taffeta Co., Ltd	N/A	N/A	N/A

Title	Nationality/ Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholdi ng		Spouse & Minor Shareholding		Shareholdi ng by Nominee Arrangeme nt		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	relati onshi p
Independent Director	R.O.C.	Tsai, Wen-Ching	2014.6.18	3	2009.11.27	0	0	0	0	0	0	0	0	1.MACC of NCCU 2.Graduate of Accounting Department of Taiwan University 3.Vice director of Ching-Long CPA Firm 4.Manger of Deloitte 5.CEO of Tax system department in Certified Public Accountant Association 6.Vice chair of Tax system department in Certified Public Accountant Association	1.Director of KW CPAs Firm 2.Supervisor of Messoa	N/A	N/A	N/A
Independent Director	R.O.C.	Lin, Her-Yuan	2014.6.18	3	2014.6.18	0	0	0	0	0	0	0	0	1.MSEE of University of Missouri。 2.Biological bachelor of mechanical and electronic of National Taiwan University 3.General manager of Industrial Technology Investment Cooperation 4.Senior vice-general-manager of WK Technology Fund. 5.Senior vice-general-manager of AsiaVest Partners 6.Senior vice-general-manager of Intel Cooperation	1.general manager of Industrial Technology Investment Corporation 2.independent director of Ushine Photonics Corporation	N/A	N/A	N/A

Title	Nationality/ Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholdi ng		Spouse & Minor Shareholding		Shareholdi ng by Nominee Arrangeme nt		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	relati onshi p
Independent Director	R.O.C.	Jaw, Yi-long	2014.6.18	3	2014.6.18	0	0	0	0	0	0	0	0	1.Doctor of Business Administration of Ohio State University 2.College of Business of National Taiwan University. 3.School of Chemical Engineering of National Taiwan University 4.State Economic and Trade Commission of R.O.C. 5.Dean of International Business of National Taiwan Business and director of Institute 6.President and vice-president of Consumer Report. 7.Deputy Secretary General of Consumer Foundation, R.O.C.	1.Professor of National Taiwan University College of Management 2.Independent director of Ruentex Development Co., Ltd. 3.Independent director of Taiwan Tobacco and Liquor Co.	N/A	N/A	N/A



**2.1.1 Major shareholders of institutional shareholders: none**

**2.1.2 Major shareholders of the Company’s major institutional shareholders: none**

**2.1.3 Professional qualifications and independence analysis of directors and supervisors:**

Names	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company.	1	2	3	4	5	6	7	8	9	10		
Chao, Yuan-San	—	✓	✓	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Jen, Chao-Ming	—	—	✓	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Fang, Jenn-Ming	—	—	✓	—	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng, Yu	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Tsai, Wen-Ching	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lin, Her-Yuan	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Jaw, Yi-long	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
- (7) Not a professional individual who is 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. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX”.
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (9) Not been a person of any conditions defined in Article 30 of the Company Law.
- (10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

## 2.2 Management Team

April 2<sup>nd</sup>, 2016 Unit: shares

Title	Nationality/ Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Share s
President	R.O.C.	Fang, Jenn-Ming	2008.01.01	5,116,409	1.46%	1,012,000	0.29%	0	0%	MBA of MIT Graduate of Physics Department of Tsinghua University assistant manager of Winbond Wafer Plant Sales director of Winbond SpiFlash series products	N/A	N/A	N/A	N/A
Vice President	R.O.C.	Wu, Yu-Yi	2010.02.01	150,000	0.04%	0	0%	0	0%	Graduate of Accounting Department of Soochow University  Executive director of Finance and Accounting of Merk  Administrative vice manager of Finance and Accounting of Manz  Financial accountant of Optimax, vice general manager of Administrative Office, CFO of APEX	N/A	N/A	N/A	N/A
Assistant Vice President	R.O.C.	Wang, Jung-Chun	2008.09.15	726,564	0.21%	0	0%	0	0%	Graduate of Dept.of Electronic Engineering of CYCU  Director of Processing & Integrating Department of Winbond  Director of Outsourcing Contact Service of SpiFlash series products of	N/A	N/A	N/A	N/A

										Winbond Electronics Corporation Director of QA Department of Winbond				
Director of R & D Division	R.O.C.	Yeh, Wen-Kuo	2016.02.01	345,400	0.10%	0	0%	0%	0%	Master of Material of Tsinghua University Manager of Processing & Integrating Department of Winbond Manager of Processing & Integrating Department of Vanguard International Semiconductor Corporation	N/A	N/A	N/A	N/A

## 2.3 Remuneration of Directors, Supervisors, President, and Vice President

### 2.3.1 Remuneration for directors

Unit: One Thousand NTD

Title	Name	Remuneration										Relevant Remuneration Received by Directors Who are Also Employees										Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)(note2)		Allowances (D)		Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Salary, Bonuses, and Allowances (E)		Severance Pay		Profit Sharing- Employee Bonus (G)(note3)		Exercisable Employee Stock Options (H)		New Restricted Employee Shares (I)					
		The company	All companies in the consolidated financial statements(note1)	The company	Companies in the consolidated financial statements(note1)	The company	Companies in the consolidated financial statements(note1)	The company	Companies in the consolidated financial statements(note1)	The company	Companies in the consolidated financial statements(note1)	The company	Companies in the consolidated financial statements(note1)	The company	Companies in the consolidated financial statements(note1)	The company	Companies in the consolidated financial statements(note1)	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements(note1)			The company	Companies in the consolidated financial statements
chairman	Chao, Yuan-San	1,800	-	-	-	-	-	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
director	Jen, Chao-Ming	600	-	-	-	-	-	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Director	Fang, Jenn-Ming	-	-	-	-	-	-	12	-	-	-	4,495	-	108	-	-	-	-	-	-	-	-	-	-	-
Independent Director	Cheng, Yu	240	-	-	-	-	-	24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director	Tsai, Wen-Ching	240	-	-	-	-	-	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director	Lin, Her-Yuan	240	-	-	-	-	-	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Director	Jaw, Yi-long	240	-	-	-	-	-	26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note 1 : The company is exempted from preparing Consolidated Statements.

Note 2 : This statement is not applicable for the company due to losses after tax in 2015.

Note 3 : The company is exempted from paying employees rewards due to losses after tax in 2015.

2.3.2 Remuneration for supervisors: Not applicable (We have replaced supervisors with Audit

Commission composed by four independent directors selected by General Meeting in 2014)

2.3.3 Remuneration for President and Vice President

Units: One Thousand NTD; One Thousand Shares

Title	Name	Salaries (A)		Retirement allowance or pension (B)		Bonuses and special preferential expenses (C)		Employee rewards(D) (Note2)				Ratio of total amount of A, B, C and D to net profits after tax (Note 3)		Subscription shares of employee stock option certificates		New restricted stocks gained		Whether have gained reinvestment career fees from others except for subsidiaries
		Our company	All companies in Financial Statement (Not.1)	Our company	All companies in Financial Statement (Not.1)	Our company	All companies in Financial Statement (Not.1)	Our company		All companies in Financial Statement (Not.1)		Our company	All companies in Financial Statement (Not.1)	Our company	All companies in Financial Statement (Not.1)			
President	Fang, Jenn-Ming	5,942	—	216	—	924	—	—	—	—	—	—	—	—	—	105	—	—
Vice President	Wu , Yu-Yi																	

Note1: The Company is exempted from preparing Consolidated Statements

Note2: The Company is exempted from paying employee rewards due to losses after tax in 2015

Note3: This statement is not applicable for the Company due to losses after tax in 2015.

Remuneration Notch Table

Gaps of remuneration paid for general managers and vice general managers with company	Names of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	—	—
NT\$2,000,001 ~ NT\$5,000,000	Fang Jenn-Ming, Wu Yu-Yi	—
NT\$5,000,001 ~ NT\$10,000,000	—	—
NT\$10,000,001 ~ NT\$15,000,000	—	—
NT\$15,000,001 ~ NT\$30,000,000	—	—
NT\$30,000,001 ~ NT\$50,000,000	—	—
NT\$50,000,001 ~ NT\$100,000,000	—	—
Over NT\$100,000,000	—	—
Total	2 persons	—

Note 1: The Company is exempted from preparing Consolidated Statements

2.3.4 Name of managers distributing employee rewards and the distribution conditions: The Company is

exempted from distributing employee rewards due to operating losses after tax in 2015.

**2.3.5** Compare and state the analysis of ratio between the total remunerations that our company and all the companies in the Consolidated Statement paid for directors, supervisors, general manager and vice general manager in recent two years and the net profits after tax in several Financial Statements. In addition, demonstrate the relationships between remuneration payment policies, standards and combinations, form of remuneration stipulation and corporation performance as well as associativity of future risks.

**2.3.5.1** Analysis the ratio between the total remunerations the Company and all the companies in the Consolidated Statement paid for directors, supervisors, general manager and vice general manager in recent two years and the net profits after tax in several Financial Statements.

Unit: One Thousand NTD; %

Title	Total remunerations		Percentage of total remunerations to net profits after tax	
	Year 2014	Year 2015	Year 2014	Year 2015
Directors	7,508	8,089	(1.40%)	(1.34%)
President and vice President	7,021	8,132	(1.31%)	(1.35%)

**2.3.5.2** The relationships between remuneration payment policies, standards and combinations, form of remuneration stipulation and corporation performance as well as associativity of future risks .The remunerations for directors are according to the articles of incorporation, industrial standards as well as the corporate performance and paid after the approval of Board of Directors. The remunerations for generals are including salaries, bonuses and employee stock option certificates which are based on the functional responsibilities, contributions as well as reference for industrial standards.

### 3. Implementation of Corporate Governance:

#### 3.1 Board of Directors:

A total of 6 (A) meetings of the Board of Directors were held in the previous year. The attendance of director and supervisor were as follows:

Title	Name	Actual times of attendance	Times of commissioned attendance	Actual attendance rate (%)	Note
Chairman	Chao, Yuan-San	6/6	0	100.00%	None
Director	Jen, Chao-Ming	6/6	0	100.00%	None
Director	Fang, Jenn-Ming	6/6	0	100.00%	None
Independent director	Cheng, Yu	5/6	0	83.33%	None
Independent director	Tsai, Wen-Ching	4/6	1	66.67%	None
Independent director	Lin, Her-Yuan	5/6	1	83.33%	None
Independent director	Jaw, Yi-long	6/6	0	100.00%	None

Other mentionable items:

- (1) If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified: None
- (2) The execution of bills at stake by directors shall be noted with names of directors, bill contents, reason for recuse to avoid conflicts of interest as well as voting engagements:  
 Date of Board of Directors: November 10<sup>th</sup>, 2015  
 Bill contents: Biological chips and systems reinvestment Co. case.  
 Directors shall conduct recuse to avoid conflicts of interest: Director Jen, Chao-Ming  
 Reasons for recuse to avoid conflicts of interest and the voting engagements: According to Article 206 of Company Act, except the non-participation of Director Jen Chao-Ming in the vote, the case was approved and passed without objections by the chairman after seeking for directors' opinions.
- (3) Measures taken to strengthen the functionality of the board:
  - a. The Company has appointed personnel to collect and disclose the company information, all the information shall be made public based on the laws and decrees

can be properly disclosed in a timely manner to improve information transparency.

b. We have approved to stipulate “Evaluation Methods for the Performance of Board of Directors and Functional Commissions” at the board of director on March 25<sup>th</sup>, 2015, and planned to conduct current year performance evaluation after the end of the year. The performance evaluation results will be finished before the first Board of Directors and functional committees of following year. The results of 2015 has been presented at the board of director held on February 24<sup>th</sup>, 2016, all the evaluation indicators reached consensus among board members and the matters needing improvements were provided with sound recommendations and improved based on the recommendations.

c. Since 2014, we have replaced supervisors with Audit Committee, which was composed with all the independent directors. So far, ten meetings have been held successfully.

### 3.2 Audit Committee:

Four independent directors were selected by general meeting and we have replaced supervisors with Audit Committee according to Securities Exchange Act on June 18<sup>th</sup>, 2014. A total of 5 (A) Audit Committee meetings were held in the previous year. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director	Tsai, Wen-Ching	4	1	80.00%	None
Independent Director	Cheng, Yu	5	0	100.00%	None
Independent Director	Lin, Her-Yuan	5	0	100.00%	None
Independent Director	Jaw, Yi-long	5	0	100.00%	None

Other matters shall be recorded:

- (1) If there are the circumstances referred to in Article 14-5 of the Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company’s response to the Audit Committee’s opinion should be specified: None
- (2) If there are independent directors’ avoidance of motions in conflict of interest, the directors’ names, contents of motion, causes for avoidance and voting should be specified: None
- (3) Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)



- a. The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well.
- b. The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well.

### 3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(1) Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	√		The company has stipulated the [Corporate Governance Best Practice Principles] according to [Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies] in 2014 and presented the revision by Board of Directors on March 25 <sup>th</sup> , 2015 which were disclosed on Market Observation Post System and corporate websites. ( <a href="http://www.danentech.com/investor_cg_more.aspx?ID=5">http://www.danentech.com/investor_cg_more.aspx?ID=5</a> )	None; accord with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
(2) Shareholding structure & shareholders' rights a. Does the company	√		a. The relevant competent departments of the Company are responsible for handling the recommendations, doubts, disputes and lawsuits of shareholders according to internal operation	

Evaluation items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?</p> <p>b. Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?</p> <p>c. Does the company establish and execute the risk management and firewall system within its conglomerate structure?</p> <p>d. Does the company establish internal rules against insiders trading with undisclosed information?</p>			<p>procedures; moreover, we also have spokesman, deputy spokesman and investor E-mail box, Audit Committee mailbox, accusation letter box for good faith management to make the information disclosure for and communication with interested parties smooth. The boxes are disclosed on the corporate websites. (<a href="http://www.danentech.com/investor_cir.aspx">http://www.danentech.com/investor_cir.aspx</a>)</p> <p>b. The Company has learned the name lists of principal shareholders actually controlling the company and ultimate controlling party among principal shareholders based on the register of shareholders provided by stock service agent on a regular basis. And disclose the shareholding status of those principal shareholders with more than 10% of total shares according to the regulations regularly.</p> <p>c. The Company has established [Operating Methods for Transactions among Conglomerates, Specific Corporate, and Related Parties] according to Article 17 of [Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies]. Besides, we also examine the Risk Management Mechanism and Firewall for the financial and business relations with related parties on a regular basis within the company.</p> <p>d. In order to maintain the shareholders’ equity and make the equality among shareholders into practice, we have passed the [Management Procedures for Preventing Insider Trading]</p>	

Evaluation items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			against directors, managers and employees to regulate relevant conducts.	
<p>(3) Composition and responsibilities of Board of Directors</p> <p>a. Does the Board develop and implement a diversified policy for the composition of its members?</p> <p>b. Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>c. Does the company establish a standard to measure the performance of the Board, and implement it annually?</p> <p>d. Does the company regularly evaluate the independence of CPAs?</p>	√		<p>a. We have the established multiple guidelines such as gender, expertise as well as background of directors in [Corporate Governance Best Practice Principles] and [Method for Director Selections] according to Article 20 of [Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies]. Furthermore, we have put the director selections into practice when necessary. Please refer to Page 9-13 for more details of professional backgrounds and expertise of directors.</p> <p>b. We have established Remuneration Committee and Audit Committee based on the laws and by now, there are no other functional committees. The Board of Directors will authorize to establish other committees when necessary.</p> <p>c. We have approved to stipulated “Evaluation Methods for the Performance of Board of Directors and Functional Commissions” at the board of director on March 25th, 2015 and conducted current year performance evaluation with respect to the meeting attendance, meeting engagement, annual study hours and other items of appraises after the end of every year. The performance evaluation results will be finished before the first Board of Directors and functional committees of following year. Moreover, the 25 evaluation items of 2015 according to “Evaluation Methods for the Performance of Board of Directors and</p>	None; accord with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Functional Commissions” have been implemented and finished on February 2nd, 2016 and presented on February 24th, 2016 at the Board of Directors. The evaluation result of board of director performance in 2016 showed us the engagement of Board of Directors in company’s operations, improvements of resolution quality of Board of Directors as well as internal control, all of which have reached consensuses among directors. In order to strengthen the communications between accountants and independent directors we have created additional E-mail boxes to realized timely and rapid communications.</p> <p>d. We conduct at least one evaluation in terms of independence of CPA annually, which consists of 6 aspects and 18 items including accounting ethics, impact from self-interests, self-evaluation, familiarity, effects of stress and special circumstances on independence. The evaluation of year 2015 has been completed on March 17<sup>th</sup>, 2015 and the Accountant Independence Statement has been gained. Furthermore, the results demonstrated that the CPA of The Company was equipped with independence. The evaluation result was submitted to Audit Commission and Board of Directors for permission on March 25<sup>th</sup>, 2015. More details for Accountant Independence Statement can refer to attached Table 1.</p>	

Evaluation items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	√		The Company has established special column for interested parties, designated spokesman and deputy spokesman and created E-mail boxes for investors, Audit Committee and accusation letter mailbox for good faith management. The correspondent banks, creditors, employees, suppliers, customers and the interested parties of the company can present recommendations and responses in Contact Columns to safeguard the interests and rights of interested parties. There are specially-assigned personnel in these contact channels and they will handle these affairs according to internal procedures. The relevant information will be disclosed on the corporate website. <a href="http://www.danentech.com/investor_cir.aspx">http://www.danentech.com/investor_cir.aspx</a>	None; accord with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
(5) Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	√		The Company has entrusted the shareholders’ committee affairs to professional stock service agent-- CTBC Bank Co., Ltd.	None; accord with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies
(6) Information Disclosure a. Does the company have a corporate website to disclose both financial standings and the status of corporate	√		a. The Company has established corporate website ( <a href="http://www.danentech.com">http://www.danentech.com</a> ) and apart from disclosing the financial affairs and corporate governance information, we also declare and disclose the business and financial information on Market Observation Post System regularly or irregularly according to the regulations. b. The Company has established both Chinese and	None; accord with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
governance? b. Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?			English websites and designated personnel to perform related work and disclose information according to the responsibilities; the spokesperson in The Company is President Fang, Jenn-Ming and the deputy spokesperson is Vice President Wu, Yu-Yi.	
(7)Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation	√		<p>a. The Company has defined and disclosed corporate governance regulations in the Corporate Governance Column of corporate website, Annual Report, Company Regulations and Market Observation Post System and set Task Force to operate according to the procedures.</p> <p>b. We have set up Employee Welfare Committee, implemented pension system, conducted employee educational training courses, paid employee group insurance and arranged regular physical examinations and other benefits to promote a more harmonious industrial and labor relations.</p> <p>c. The Company has made the corporate information public according to laws and decreed to safeguard the rights and interests of investors.</p>	None; accord with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>d. We have kept smooth communications with customers and suppliers and maintained good relationships with them.</p> <p>e. We will provide the advanced courses information for all the directors at any time and the directors will attend the refresher courses according to [Directions for the Implementation of Continuing Educations for Directors and Supervisors of TWSE Listed and TPEX Listed Companies] and all the directors have finished the further study hours regulated by laws in The Company in 2015. More details for further study situations of our directors can be seen from attached Table 2.</p> <p>f. The Company has formulated internal control systems and relevant governance methods and handled official business according to laws and regulations.</p> <p>g. We have purchased liability insurance for directors and managers.</p> <p>h. We have uploaded affairs manual of shareholders’ meeting and conference documents on Market Observation Post System 30 days before general meeting.</p> <p>i. The Company has clearly demonstrated the Director Election Nomination System in Articles of Association.</p> <p>j. We have uploaded the Annual Report to Market Observation Post System 10 days before general meeting. And since 2016, we will upload the Annual Report 14 days before</p>	

Evaluation items	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			general meeting.	
(8)Has the company implemented a self-evaluation report on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.	√		<p>a.The Company conducts self-assessment report according to regulations annually and the self-assessment report of corporate governance has finished in January 2015. And the actual executions of all the self-assessment items are according to the relevant regulations in Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies. We haven’t found significant errors from the report.</p> <p>b.We have completed the governance evaluation report of 2016 according to the third term of Corporate Governance Evaluation Index and promoted the electric voting for shareholders’ meeting as well as English information disclosure to further out the corporate governance into effect.</p>	None; accord with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies



## Accountant Independence Statement

File receiving unit: Danen Technology Cooperation

Date: March 2<sup>nd</sup>, 2015

Document No.: (105) Tsu-Hui-Tsung Zi No. 15000123

Our firm is entrusted to audit the Financial Statement of year 2015 of The Company. We hereby state:

1. The audit staff and CPA of our firm don't have relations of joint investment or benefit sharing with The Company.
2. The audit staff and CPA of our firm don't hold the posts of chairman, director, supervisor, manager or employee in The Company or related enterprises.
3. No other disobedience stated in [Code of Professional Ethics Gazette No. 10] that may have impacts on the independence of our firm.

PwC Taiwan

Lee, Hsiu-Ling

Accountant

Chi, Ping-Chun

Attached Table 1: The Implementation of Director Continuing Education of Year 2015:

Title	Name	Continuing education date	Host unit	Course name	Study hours
Director	Chao, Yuan-San	2015.11.05~2015.11.05	Taiwan Corporate Governance Association	The 11 <sup>th</sup> International Summit on Corporate Governance	3 hours
		2015.12.28~2015.12.28	Taiwan Corporate Governance Association	Mergers and Acquisitions of Cooperation and Inside Trading	3 hours
Director	Jen, Chao-Ming	2015.11.20~2015.11.20	Securities & Futures Institute	Enterprise Merger Scandal Research Analysis--from the Viewpoint of Corporate Governance	3 hours
		2015.12.10~2015.12.10	Securities & Futures Institute	How Directors and Supervisors without Financial and Accounting Educational Background to Audit Financial Statement and Internal Control	3 hours
Director	Fang, Jenn-Ming	2015.10.12~2015.10.12	Securities & Futures Institute	How Enterprises to Well Perform Social Responsibilities and Practices in the Report	3 hours
		2015.11.06~2015.11.06	Securities & Futures Institute	The 11 <sup>th</sup> International Summit on Corporate Governance	3 hours
Independent director	Cheng, Yu	2015.07.17~2015.07.17	Dharma Drum Mountain Humanities and Social Improvement Foundation	Keys to a Happy Enterprise	3 hours
		2015.11.20~2015.11.20	Securities & Futures Institute	Corporate Governance Blueprint and Visions for Corporate Social Responsibilities	3 hours
Independent director	Tsai, Wen-Ching	2015.08.21~2015.08.21	National Federation of Certificated Public Accountant Association of the Republic of China	The promotion and Response of Small and Medium-sized Enterprises' adoption of ASBE	4 hours

		2015.10.16~2015.10.16	National Federation of Certificated Public Accountant Association of the Republic of China	The Revolution and Analysis of Enterprise Accounting Norms of Non-public Enterprises	7 hours
		2015.10.21~2015.10.21	National Federation of Certificated Public Accountant Association of the Republic of China	The Differences Arising after the Implementation of Latest Integrated Housing and Land and the Matters Needing Attention	3 hours
Independent director	Lin, Her-Yuan	2015.10.07~2015.10.07	Securities & Futures Institute	Discussion on Employee Bonuses Tactics and Tool Application	3 hours
		2015.10.29~2015.10.29	Securities & Futures Institute	Practice for Corporate Governance and Independent Directors' Operations	3 hours
Director	Jaw, Yi-long	2015.03.06~2015.03.06	Taiwan Corporate Governance Association	Functions and Performance Evaluation of Board of Director	3 hours
		2015.04.07~2015.04.07	Taiwan Corporate Governance Association	View the External Audit and Internal Control from the Perspective of Directors and Supervisors	3 hours

### 3.4 Composition, Responsibilities and Operations of the Remuneration Committee

The Company has established Remuneration Committee and stipulated [Statute of Remuneration Committee] after the resolution passed at the Board of Directors on October 25<sup>th</sup>, 2011. After the resolution passed at the Board of Directors, the Third Remuneration Committee was set up on August 5<sup>th</sup>, 2014. The Committee is responsible for perfecting remuneration systems for directors and managers. The information of committee members and operation situations can be seen as follows:

### 3.4.1 Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note1)	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent director	Cheng, Yu			√	√	√	√	√	√	√	√	√	3	N/A
Independent director	Tsai, Wen-Ching		√		√	√	√	√	√	√	√	√	1	N/A
Independent director	Jaw, Yi-long	√			√	√	√	√	√	√	√	√	2	N/A

Note 1: The identity category refers to director, independent director or others.

Note 2: The members that are in line with the following conditions two years before selection and during tenure.

- (1) Not an employee of the Company or any of its affiliates
- (2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
- (7) Not a professional individual, who is 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 a person of any conditions defined in Article 30 of the Company Act.

### 3.4.2 Operation information of Remuneration Committee

3.4.2.1 There are three members in Remuneration Committee of The Company.

3.4.2.2 Tenure of current committee members: from August 5<sup>th</sup>, 2014 to June 17<sup>th</sup>, 2017. We held 2 Remuneration Committees in 2015, the attendance can be seen below:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Convener	Cheng, Yu	2	0	100	N/A
Committee member	Tsai, Wen-Ching	2	0	100	N/A
Committee member	Jaw, Yi-long	2	0	100	N/A

Other mentionable items:

- (1) If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified):  
None.
- (2) Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

### 3.5 Fulfillment of social responsibility

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>(1) Corporate Governance Implementation</p> <p>a. Does the company declare its corporate social responsibility policy and examine the results of the implementation?</p> <p>b. Does the company provide educational training on corporate social responsibility on a regular basis?</p> <p>c. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</p> <p>d. Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?</p>	√		<p>a. We have approved and stipulated policies for corporate social responsibilities regarding five aspects including Corporate Governance, Employee Care, Partnership, Environmental sustainability and Community participation at the Board of Directors on December 22th, 2015. In order to fulfill the corporate social responsibility during operation and management, since 2014 we have formulated relevant regulations and institutions successively as bases of execution of corporate social responsibilities. In addition, we also found “CSR Promotion Team” in January 2015 and reported the quarterly execution results, checking plans as well as improvement projects to Board of Directors.</p> <p>b. We offer relevant educational courses annually on a regular basis, issue “Corporate Social Responsibilities Promotion Announcement” monthly, advocate for colleagues around the company to fulfill social</p>	None; accord with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>responsibilities and share relevant issues with directors at the meetings.</p> <p>c. According to “Corporate Social Responsibility Best Practice Principles” we have found “CSR Promotion Team” in January 2015. The management representatives within the Promotion Team are general manager and vice general manager and the other members within are chiefs of all functional departments such as Finance Department, HR Department, QA Department, Manufacturing Department, Environmental Protection Department; the execution of corporate social responsibilities based on five aspects i.e. Corporate Governance, Employee Care, Partnership, Environmental sustainability and Community participation and the promotion results shall be reported to Board of Directors on a regular basis.</p> <p>d. We have formulated “Regulations on Salary Payment” and other regulations as bases of Remuneration and</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			Bonus Policies as well as clear and effective Rewards and Punishment System which will be evaluated and supervised by Remuneration Committee that is composed of independent directors; the Employee Performance Appraisal System are made up of two points, the first is the Key Performance Indicators (KPI) that are carried out all over the company, second is the combinations of employee performance appraisal and corporate social responsibilities that are implemented every six months.	
<p>(2) Sustainable Environment Development</p> <p>a. Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p> <p>b. Does the company establish proper environmental management systems based on the characteristics of their industries?</p> <p>c. Does the company monitor the impact of climate change on its operations and conduct</p>	√		<p>a. We have set up recycled water processing system successively and recycled the waste water for second use, by now the recycled rate has reached 30% and we will continue to invest resources to improve the utilization efficiency. As for the wastes (waste cutting oil) produced during manufacturing, we recycle it 100% for reuse, making the resources recyclable and be effective used to reduce the negative impacts and loads on the environment.</p>	None; accord with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies



Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?			<p>b. We have completed the establishment of ISO14001 Environmental Management System in November 2009. We have been always adhering to pollution prevention and continuous improvements, examining and weighing environmental evaluation and external and internal auditing and managing mechanisms by PDCV Circulation as well as implementing all kinds of environmental protection measures.</p> <p>c. We have been continuing to carry out energy-saving measures, which can not only reduce greenhouse gases, CO2 emission but also cutting down the operating costs; the power saving in 2014 and 2015 reached 1,594,932 kWh and 1,251,355 kWh respectively; moreover, the CO2 emission reductions of 2014 and 2015 come to 832 tons and 652 tons respectively.</p>	
<p>(3) Preserving Public Welfare</p> <p>a. Does the company formulate appropriate management policies and procedures according to relevant</p>	√		<p>a. The Company has stipulated “Regulations on Personnel Management” to safeguard the legitimate interests and rights of employees according Labor Act</p>	None; accord with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>regulations and the International Bill of Human Rights?</p> <p>b. Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?</p> <p>c. Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p> <p>d. Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?</p> <p>e. Does the company provide its employees with career development and training sessions?</p> <p>f. Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?</p>			<p>and on the basis of respect for Fundamental Labor Human Rights Principles recognized internationally.</p> <p>b. We have [Employee Complaint Mail] on external and internal websites (<a href="http://www.danentech.com/investor_cir.aspx">http://www.danentech.com/investor_cir.aspx</a>) and there are specially-assigned personnel to handle with the complaints according to complaint handling procedures in a timely and effective manner.</p> <p>c. We have stipulated [Code of Practice on Labor Safety and Health] to safeguard the health and safety of employees; in order to make sure the security and health of working environment for colleagues, we outsource examinations on working environment every six months and undertake safe and healthy educations for employees regularly; in order to ensure the physical and psychological health of colleagues, we hire professional doctors in the factories to provide health consultancy apart from plant protection</p>	Listed Companies

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>g. Does the company advertise and label its goods and services according to relevant regulations and international standards?</p> <p>h. Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?</p> <p>i. Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?</p>			<p>personnel. Besides, we also offer the opportunity of annual physical examination for employees for free.</p> <p>d. We hold labor-management conferences regularly, create employee complaint mailbox and organized tea parties making sure that employees can express their ideas smoothly. Besides, by issuing corporate announcements can employees understand the major operational conditions, information, advocates, training and activities of the company timely, which realize the goal of comprehensive communications between the company and employees.</p> <p>e. We have formulated integrated training plans and methods for employees, set and revised the courses for new employee training, on-the-job training, professional courses, occupational safety courses as well as all kinds of internal and external training related to the posts and work annually. In addition, we also project diverse educational and training courses</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>to improve the occupational development abilities of employees.</p> <p>f. The Competent Marketing Department of The Company is established for handling customer complaints and there are also regulations stipulated such as “Norms on the Quality of Finished Product”, “QC Confirmation List”, “Standard Operating Procedures for Sales Return and Exchange”, “Regulations on Customer Complaint Management” and “Regulations on Customer Order Management” to safeguard the product quality, handle with sales return and exchange, customer complaints, orders and other rights and interests of consumers; besides, we also have the operational regulations to undertake customer satisfaction survey. Furthermore, there is Product Service Mailbox on the company website which is managed by specially-assigned personnel. The information of communication channels is disclosed on corporate website</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>(<a href="http://www.danentech.com/investor_cir.aspx">http://www.danentech.com/investor_cir.aspx</a>).</p> <p>g. The marketing and labeling of products and services of The Company are all in line with the relevant regulations and international criteria without cheating, misleading, fraud and any other behaviors that damage trusts, rights and interests of consumers.</p> <p>h. The purchasing unit of The Company always evaluates whether the suppliers to build partnership with have negative reports of influencing environment and the society and records in the basic information statement of supplier when establishing suppliers’ basic information. QC Department will undertake 12 indicators that affect environment and the society including “whether have ISO 14001 System Certificate, “Environmental Management Substances” management system, the impacts on the environment and other indicators and record the results when evaluate or review the new or current suppliers.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			i. We have evaluated the corporate social responsibilities and environmental impacts of major suppliers and have noted in the purchasing lists and contracts that if suppliers are involving in the violation of social and environmental responsibilities that lead to negative environmental and social effects, the contract shall be terminated at any time.	
(4) Enhancing Information Disclosure a. Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	√		We have established a special column for corporate social responsibility on the company website and disclose relevant and reasonable corporate social responsibility information on the special column and Market Observation Post System ( <a href="http://www.danentech.com/csr.aspx">http://www.danentech.com/csr.aspx</a> )	None; accord with Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
(5) Enterprises stipulate their own Corporate Social Responsibility Best Practice Principles according to [Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies] shall clearly state the differences between the one they have established and the [Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Companies]: None; accord with [Corporate Social Responsibilities Best Practice Principles for TWSE/GTSM Listed Companies].				
(6) Other important information to facilitate better understanding of the company’s corporate social responsibility practices : a. We are dedicated to enhance and strengthen corporate social responsibilities with the				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>improvements of production technologies. The wire saw we used at present ranks top within the industry. The wire saw applied is with finest wire diameter and contributes most to the reduction of raw material costs, unit energy consumption, efficiency improvements as well decrease of wastes producing.</p> <p>b. We mainly produce solar polycrystalline silicon wafers, a kind of green energy industry. In addition, we are dedicated to the execution of environmental protections and the promotion of employees to take part in the energy-saving and carbon reduction activities.</p> <p>c. By now, the waste water and gases produced during manufacturing are treated by the pollution-prevention equipment before being discharged and the industrial wastes are entrusted to the qualified treatment agencies that are verified by competent authorities to avoid negative impacts on the environment.</p> <p>d. As for the promotion of safety and health, apart from in line with the relevant regulations of Regulations on Environment, Safety and Health, we also gained OHSAS 18001 Certificate.</p> <p>e. We have formulated regulations on safety and health to safeguard the health and safety of employees.</p>	
			(7) A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:	
			None	

### 3.6 Ethical Corporate Management

Evaluation Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(1) Establishment of ethical corporate management policies and programs</p> <p>a. Does the company declare its ethical corporate management policies and procedures in its guidelines and external</p>	√		<p>a. The Company has stipulated “Ethical Corporate Management Best Practice Principles” and “Ethics and Professional Standards” to regulate directors, independent directors, managers and</p>	<p>None; accord with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies</p>

Evaluation Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>documents, as well as the commitment from its board to implement the policies?</p> <p>b. Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> <p>c. Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>			<p>employees and implemented the relevant regulations decrees of Company Act, Securities Exchange Act, relevant laws and regulations for TWSE/GTSM listed companies based on the basic principle of ethical management. Directors and senior managers also take active part in the continuing courses in terms of ethic management and regulated by the laws and decrees to put ethical management into effect.</p> <p>b. We undertake business activities based on the principles of fairness and good faith. In order to implement ethical management policies and prevent the acts with dishonesty, we have established [Procedures for Ethical Management and Guidelines for Conduct] to regulate operation procedures, guidelines for conducts, punishment for violations as well as appeal systems and made them into effect. Besides, by proceeding regular educational training for employees we advocate the spirit of ethical management.</p>	



Evaluation Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			c. The [Procedures for Ethical Management and Guidelines for Conduct] of The Company has clear demonstrated that the personnel within the company shall return or refuse the benefits provided by others directly or indirectly or interests promised to be given in any forms or under any names and then report to immediate supervisors and inform the competent units to handle according to [Procedures for Ethical Management and Guidelines for Conduct]. Furthermore, there are impeach mechanisms and relevant penalties to effectively prevent the personnel from giving or taking illegitimate benefits or offering illegitimate political contributions along with the relevant internal control systems.	
(2) Fulfill operations integrity policy a. Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts? b. Does the company establish an exclusively (or	√		a. The Company will always evaluate whether the suppliers, customers or other objects with business contacts have records of dishonesty before establishing partnerships with them. And clearly demonstrate in the contract that if the suppliers violate the environmental and	None; accord with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?</p> <p>c. Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>d. Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?</p> <p>e. Does the company regularly hold internal and external educational trainings on operational integrity?</p>			<p>social responsibilities and cause negative impacts on the environment and society, the contract will be terminated or removed at any time to make sure the fulfillment of ethical management policies.</p> <p>b. The Instruct General Manager Office is a specially-assigned unit for stipulating corporate ethical management policies, supervising the implementation of them as well as reporting to the Board of Directors regularly.</p> <p>c. The Company has passed and stipulated [Procedures for Ethical Management and Guidelines for Conduct] at the Board of Directors in 2014 which precisely described the conditions of interest contradictions, required relevant personnel to avoid these contradictions and implemented according to the Procedures in case of contradictions between personal interests and corporate rights and interests. All the employees within the company have signed [Letter of Commitment for Professional Code of Ethics] and promised to</p>	

Evaluation Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>avoid the conditions of sacrificing corporate interests due to personal interests or affairs causing contradictions to the corporate interests.</p> <p>d. The Company has established accounting systems according to IAS and stipulated internal control systems based on [Criteria for the Establishment of Internal Control System for Listed Companies], found internal competent auditing units to undertake risk evaluation and verification according to planned verification scheme. In addition, we conduct comprehensive self-assessment along with all the departments within the company during the period of annual self-assessment of internal control system and reported the verification results to Audit Committee and Board of Directors on a regular basis.</p> <p>e. We have intensified the promotion of relevant policies of ethical management by internal net and required all the staff to sign the Letter of Commitment for Professional Ethics.</p>	

Evaluation Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Furthermore, we also undertake annual educational training plans and have internal training courses for personnel when necessary.	
<p>(3) Operation of the integrity channel</p> <p>a. Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>b. Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>c. Does the company provide proper whistleblower protection?</p>	√		<p>a. The Company has stipulated [Procedures for Ethical Management and Guidelines for Conduct] and rewarded the impeach if checked to be true and correct according to the seriousness of the cases. Moreover, there are general manager mailbox for internal impeach and audit committee mailbox, ethical management impeach mailbox and employee complaints mailbox for external impeaches, which will be handled by competent units according to the procedures for complaints mailbox handling.</p> <p>b. The Company has stipulated handling procedures for complaints and clear stated that the competent authorities to keep confidential.</p> <p>c. The personnel handing with the impeaches are required to promise to keep the identity of prosecutors confidential in a written statement and The</p>	None; accord with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Company protects the prosecutors from being improperly treated because of impeaches.	
(4) Intensify information disclosure a. Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	√		The Company has disclosed the contents of Ethical Corporate Management Best Practice Principles stipulated on corporate website ( <a href="http://www.danentech.com/investor_cg_more.aspx?ID=5">http://www.danentech.com/investor_cg_more.aspx?ID=5</a> ) and Market Observation Post System	None; accord with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
<p>(5) If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation:  No difference; accord with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies  The Company has stipulated “Ethical Corporate Management Best Practice Principles” and “Ethics and Professional Standards” to regulate directors, independent directors, managers and employees and implemented the relevant regulations decrees of Company Act, Securities Exchange Act, relevant laws and regulations for TWSE/GTSM listed companies based on the basic principle of ethical management. Directors and senior managers also take active part in the continuing courses in terms of ethic management and regulated by the laws and decrees to put ethical management into effect.</p>				
<p>(6) Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).  a. We have passed and established [Ethical Corporate Management Best Practice Principles] and [Procedures for Ethical Management and Guidelines for Conduct] at Board of Directors in 2014, and provided an amendment after the resolution of Board of Directors on March 25<sup>th</sup>, 2015 which was later passed at general meeting of year 2015.  b. In order to strengthen the determination of ethical corporate management, we have formulated [Ethics and Professional Standards] and all the staff is required to sign Letter of Commitment</p>				

Evaluation Items	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
for Professional Ethics. The signing rate of year 2015 reached 100%.				

### 3.7 Corporate Governance Guidelines and Regulations

Please refer to our corporate website (Investor Service/Corporate Governance) for more details regarding corporate governance.

[http://www.danentech.com/investor\\_cg\\_more.aspx?ID=5](http://www.danentech.com/investor_cg_more.aspx?ID=5)

### 3.8 Other Important Information Regarding Corporate Governance

None

### 3.9 Internal Control Systems

#### 3.9.1 Statement of Internal Control System:

Statement of Internal Control System  
of  
Danen Technology Corporation

Date: February 24<sup>th</sup>, 2016

The self-assessment results of 2015 Internal Control System of The Company are hereby stated as follows:

- A. The Company has indeed realized that it's the responsibility for Board of Directors, managers to establish, execute as well as maintain of the Internal Control System and The Company has established this system, which targets at providing reasonable guarantee for operating results and efficiency (including benefits, performance and asset security), reliability, promptness, transparency of the reports as well as the realization of goals that are in accordance with relevant laws and decrees.
- B. In spite of the impeccable designs the Internal Control System still has its own limitations and it can only provide reasonable and effective guarantees for the above three goals; furthermore, the effectiveness of the Internal Control System varies with the changes of environment and conditions. However, the Internal Control System with self-supervision can take immediate adjustments to make up the recognized deficiency.
- C. The Company has set effective judging items in the corporate Internal Control System established based on Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as Regulations) to judge the effectiveness of the design and execution of Internal Control System. The judging items adopted are also known as the procedures for management and control, which is divided into five parts i.e. (1) Environmental control, (2) Risk assessment, (3) Control operations, (4). Information and communication and (5) Monitoring operations. Each part is composed by several sub-items. Please refer to [Regulations] for more details of above mentioned items.
- D. We have adopted the above mentioned judging items for Internal Control System to assess the effectiveness of designs and fulfillment of Internal Control System.
- E. We can safely conclude that understanding operating result, efficiency and the realization of goals, reliability, promptness, transparency as well as the design and execution of Internal Control System in line with relevant laws and decrees are effective based on the aforementioned assessment results of Internal Control System (including the supervision and management of subsidiaries) carried out on December 31<sup>th</sup>, 2015.
- F. This Statement is the main content of the Annual Report and Prospectus and will be made public. Any fraud, camouflage and other illegitimate affairs in the Statement will bear the legal liabilities regulated in Article 20, 32, 171 and 174 of Securities Exchange Act.

G. We hereby declare: This Statement has passed by Board of Directors on February 24<sup>th</sup>, 2016. Seven directors were present at the Board, none opposed to this Statement and the contents of this Statement have reached consensus.

Danen Technology Corporation

Chairman: Chao, Yuan-San

President: Fang, Jenn-Ming



**3.9.2** Those who entrust Internal Control System project review to accountants shall disclose the CPA Audit Report: Not available.

**3.10 Whether the company and personnel within the company were punished, the personnel has penalized by the company in recent years and as of the date of Annual Report publication; whether there were significant errors and improvements**

None

**3.11 The important resolutions of shareholders' meeting and Board of Directors in recent years and periods as of the date of Annual Report publication**

**3.11.1 Major Resolutions of Shareholders' Meeting and Board Meetings:**

Date	Item	Major resolutions
2015/6/17	Shareholders' meeting of year 2015	(1) The Business Report and Financial Statement Case of year 2014 have been passed and acknowledged. (2) The loss Off-setting Proposal of year 2014 has been passed and acknowledged. (3) Parts of the amendment of [Article s of Corporation] have been passed. (4) Parts of the Articles of [Policies for Shareholders' Meeting Amendment] have been passed. (5) Parts of the Articles of [Procedures for Directors' Selection Amendment] have been passed. (6) The plan for issuance of restricted stocks of year 2015 has been passed.

2015/3/25	The 4 <sup>th</sup> Session of the 4 <sup>th</sup> Board of Directors	<p>(1) The Liability Insurance Plan for Directors has been passed.</p> <p>(2) [Statement of Internal Control System] of The Company from January 1<sup>st</sup>, 2014 to December 31<sup>th</sup>, 2014 has been passed.</p> <p>(3) The amendment of [Internal Control System] and [Rules for Implementation of Internal Audit] have been passed.</p> <p>(4) The Internal Rotation Adjustment of Accounting Firm, Change of CPA and Accountant's Fees of 2015 have been passed.</p> <p>(5) The Business Report and Financial Report of year 2014 have been passed.</p> <p>(6) The Loss Off-setting Plan of year 2014 has been passed.</p> <p>(7) The Current Financing Bill of Corporate Application to Financial Agencies for Credit has been passed.</p> <p>(8) Operational Plan of year 2015 has been passed.</p> <p>(9) The amendment of [Articles of Corporation] has been passed.</p> <p>(10) The amendment of [Policies for Shareholders' Meeting] has been passed.</p> <p>(11) The amendment of [Procedures for Directors' Selection] has been passed.</p> <p>(12) The [Corporate Governance Best Practice Principles] and other corresponding bills have been passed.</p> <p>(13) The [Evaluation Methods for the Performance of Board of Directors] has been passed.</p> <p>(14) The Convocation of Shareholders' Meeting of Year 2015 has been passed.</p>
2015/5/6	The 5 <sup>th</sup> Session of the 4 <sup>th</sup> Board of Directors	<p>(1) The Financial Statement of First Quarter of Year 2015 and Manuscript of Accountant' Audit have been passed.</p> <p>(2) The issuance of restricted stocks of year 2015 has been passed.</p> <p>(3) The Current Financing Bill of Corporate Application to Financial Agencies for Credit has been passed.</p> <p>(4) The additional reasons for calling general meeting of 2015 have been passed.</p>
2015/6/17	The 6 <sup>th</sup> Session of the 4 <sup>th</sup> Board of Directors	<p>(1) The Current Financing Bill of Corporate Application to Financial Agencies for Credit has been passed.</p> <p>(2) The proposed revision of Silicon Supply Contract between The Company and OCI COMPANY LTD has been passed.</p>
2015/10/8/4	The 7 <sup>th</sup> Session of the 4 <sup>th</sup> Board of	<p>(1) The Financial Statement of Second Quarter of Year 2015 and Manuscript of Accountant' Audit have been passed.</p>

	Directors	(2) The Amendment of Operational Plan of Year 2014 has been passed.
2015/11/10	The 8 <sup>th</sup> Session of the 4 <sup>th</sup> Board of Directors	(1) The Financial Statement of Third Quarter of Year 2015 and Manuscript of Accountant' Audit have been passed. (2) The Current Financing Bill of Corporate Application to Financial Agencies for Credit has been passed. (3) The Base Dates for Capital Reduction Cancellation and Stipulation of Restricted Stocks have been passed. (4) The Corporate Bill of Reinvestment of Biological Chips and Systems.
2015/12/22	The 9 <sup>th</sup> Session of the 4 <sup>th</sup> Board of Directors	(1) The Protocols of CSR Policies, Management Principles and Specific Promotion Plans have been passed. (2) The Protocol of Auditing Plan of Year 2016 has been passed. (3) The corporate [Procedures of Application for Suspension and Resumption of Transactions] has been passed. (4) The [Articles of Corporation] has been passed. (5) The Self-assessment of Financial Statement Preparation Abilities has been passed. (6) The Current Financing Bill of Corporate Application to Financial Agencies for Credit has been passed.
2016/2/24	The 10 <sup>th</sup> Session of the 4 <sup>th</sup> Board of Directors	(1) [Statement of Internal Control System] of The Company from January 1 <sup>st</sup> , 2015 to December 31 <sup>th</sup> , 2015 has been passed. (2) The Business Report and Financial Report of year 2015 have been passed. (3) The Loss Off-setting Plan of year 2015 has been passed. (4) The Accountant's Fees of Year 2016 have been passed.
2016/3/15	The 11 <sup>th</sup> Session of the 4 <sup>th</sup> Board of Directors	(1) The Liability Insurance Plan for Directors of 2016 has been passed. (2) The Operational Plan of Year 2016 has been passed. (3) The Current Financing Bill of Corporate Application to Financial Agencies for Credit has been passed. (4) The Corporate Bill of Reinvestment of Biological Chips and Systems. (5) The Convocation of Shareholders' Meeting of Year 2016 has been passed.

**3.11.2** The execution of resolutions of shareholders' meeting of 2015

**3.11.2.1** Acknowledged the Business Report and Financial Statement of Year 2014

Execution result: passed

**3.11.2.2** Acknowledged the Deficit Off-setting of Year 2014

Execution result: passed and handled with relevant accounts according to regulations.

**3.11.2.3** Revised part of articles of [Articles of Corporation]

Execution result: passed and undertook change of registration under the approval of Ministry of Economy.

**3.11.2.4** Revised parts of articles of articles of [Policies for Shareholders' Meeting]

Execution result: passed and implemented according to procedures revised.

**3.11.2.5** Revised part of articles of [Procedures for Directors' Selection]

Execution result: passed and implemented according to procedures revised.

**3.11.2.6** Passed the Restricted Stocks of Year 2015.

Execution results: passed but have not yet issued as of the date of Annual Report Publication.

**3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors**

None

**3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D**

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Supervisor of R&D	Ye Wen-Kuo	2013.04.01	2015.05.31	Corporate organizational adjustment
Supervisor of R&D	Wang Jung-Chun	2015.06.01	2016.01.31	Corporate organizational adjustment

**4. Information Regarding the Company's Audit Fee and Independence**

**4.1 Audit Fee**

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
PwC Taiwan	Lee Hsiu-Ling	Chi Ping-Chun	2015.1.1~2015.12.31	None

Unit: NT\$ Thousand

Public-fund items		Audit Fee	Non-audit Fee	Total
Notch of amount				
1	Under NT\$ 2,000,000	√	√	
2	NT\$2,000,001 ~ NT\$4,000,000			√
3	NT\$4,000,001 ~ NT\$6,000,000			
4	NT\$6,000,001 ~ NT\$8,000,000			
5	NT\$8,000,001 ~ NT\$10,000,000			
6	Over NT\$100,000,000			

**4.2 The company with any conditions below shall disclose the items listed below**

**4.2.1** Those non-audit fees paid for CPA, accounting firm of CPA and for the related enterprises are more than one quarter of audit fees shall be disclosed, including the amount of audit and non-audit fees

and non-audit services:

Unit: NT\$ Thousand

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
PwC Taiwan	Lee, Hsiu-Ling	1,972	0	65	0	76	141	2015	Service fees for cancellation of restricted stocks, change of registration of corporate charters, traveling expenses of auditing as well as printing fees for Financial Statement
	Chi, Ping-Chun								

**4.2.2** Those enterprises that paid audit fees for change of accounting firm and the amounts of audit fees are less than the ones of prior year should disclose the audit fees before and after changes and the reasons: No

**4.2.3** Those enterprises whose audit fees decrease more than half of the ones of prior year shall disclose the reduction amounts, percentage and reasons: No

## 5. Replacement of CPA

### 5.1 Regarding the former CPA

Replacement Date	2015.03.25		
Replacement reasons and explanations	In order to maintain the independence of CPA, PwC Taiwan accounting firm conducts internal rotation on a regular basis. Since the first quarter of 2015 the CPA responsible for Financial Statement are shifted from Lee, Hsiu-Ling and Lin, Chun-Yao to Lee, Hsiu-Ling and Chi, Ping-Chun.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Conditions		
	Termination of appointment	√	
	No longer accepted (continued) appointment		
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None		√
	Remarks/specify details:		
Other Revealed Matters	None		

## 5.2 Regarding the successor CPA

Name of accounting firm	PwC Taiwan
Name of CPA	Lee, Hsiu-Ling, Chi, Ping-Chun
Date of appointment	March 25 <sup>th</sup> , 2015
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

## 5.3 Returning letters of former accountants regarding Point 3 of Provision 2, Provision 1, Item 5, Article 10 of this Standard

None

## 6. Whether the chairman, president, manager responsible for financing or accounting have held posts in the accounting firm of CPA or in its related enterprises within recent years

None

## 7. Shareholding alienation and changes of directors , supervisors, managers as well as the shareholders with more than 10% shares in recent years and the period as of the date of Annual Report publication

### 7.1 Changes in equity of directors, supervisors, managers as well as major shareholders

Unit: share

Title	Name	Year 2015		As of April 2 <sup>nd</sup> , 2016	
		Increments and decrements of shares holding	Increments and decrements of pledged shares	Increments and decrements of shares holding	Increments and decrements of pledged shares
Chairman	Chao, Yuan-San	(63,000)	0	(18,000)	0
Vice Chairman	Jen, Chao-Ming	0	0	0	0
President	Fang, Jenn-Ming	0	0	0	0
Independent Director	Cheng, Yu	0	0	0	0



Title	Name	Year 2015		As of April 2 <sup>nd</sup> , 2016	
		Increments and decrements of shares holding	Increments and decrements of pledged shares	Increments and decrements of shares holding	Increments and decrements of pledged shares
Independent Director	Tsai, Wen-Ching	0	0	0	0
Independent Director	Lin, Her-Yuan	0	0	0	0
Independent Director	Jaw, Yi-long	0	0	0	0
Vice President	Wu, Yu-Yi	105,000	0	0	0
Assistant Vice President	Wang, Jung-Chun	(2,000)	0	0	0
Senior director (Note 1)	Ye, Wen-Kuo	0	0	0	0
Manager	Fan Chiang, Kun-Yan	14,000	0	0	0
Note 1: left on July 9 <sup>th</sup> , 2015 and returned on February 1 <sup>st</sup> , 2016					

## 7.2 Shares Trading with Related Parties: None

## 7.3 Shares Pledge with Related Parties: None

## 8. The information of relationship among the top 10 shareholders

April 2<sup>nd</sup>, 2016 Unit: One Thousand share; %

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Liang, Ci-Chen	5,789	1.66%	—	—	—	—	—	—	—
Hung, Wen-Chin	5,183	1.48%	2,147	0.61%	—	—	—	—	—
Fang, Jenn-Ming	5,116	1.46%	1,012	0.29%	—	—	—	—	—
Chen, Yu-Lian	2,254	0.64%	—	—	—	—	—	—	—
Lin, Chien-Chang	2,049	0.59%	—	—	—	—	—	—	—
Liu, Lian-Chun	1,726	0.49%	—	—	—	—	—	—	—
Chang, Chin-Te	1,298	0.37%	—	—	—	—	—	—	—
GIZA VENTURE FUND IV (TW), L.P.	1,295	0.37%	—	—	—	—	—	—	—
GIZA VENTURE FUND V (TW), L.P.	1,295	0.37%	—	—	—	—	—	—	—
Liang, Chia-Min	1,154	0.33%	—	—	—	—	—	—	—
Linag, Yi-Min	1,154	0.33%	—	—	—	—	—	—	—
Liang, Hsin-Min	1,154	0.33%	—	—	—	—	—	—	—

## 9. The shares of the same reinvestment enterprise held by directors, supervisors, managers of the company or the enterprises directly or indirectly controlled by the company, and consolidating the shares and shareholding ratio

None

## IV. Capital Overview

### 1. Capital and shares

#### 1.1 Source of Capital

##### 1.1.1 Issued Shares

Unit: One Thousand share; One Thousand NT\$

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount(NT\$ thousands)	Shares	Amount(N T\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
November 2007	10	25,000	250,000	100	1,000	Capital establishment	None	Note1
November 2007	10	25,000	250,000	25,000	250,000	Capital increase	None	Note2
December 2007	10	120,000	1,200,000	31,500	315,000	Capital increase	None	Note3
March 2008	10	120,000	1,200,000	88,000	880,000	Capital increase	None	Note4
October 2008	30	120,000	1,200,000	91,000	910,000	Capital increase	None	Note5
August 2009	18	180,000	1,800,000	126,000	1,260,000	Capital increase	None	Note6
January 2010	32	180,000	1,800,000	141,000	1,410,000	Capital increase	None	Note7
June 2010	10	180,000	1,800,000	147,658.2	1,476,582	Execution of Employee Stock Option Certificates	None	Note8
July 2010	50	180,000	1,800,000	164,458.2	1,644,582	Capital increase	None	Note9
March 2011	59	280,000	2,800,000	201,258.2	2,012,582	Capital increase	None	Note10
August 2011	10	280,000	2,800,000	203,673.2	2,036,732	Capital increase from surpluses	None	Note11
February 2013	14.09	280,000	2,800,000	263,673.2	2,636,732	Capital increase	None	Note12
July 2013	0	280,000	2,800,000	264,823.3	2,648,233	Restricted stocks	None	Note13
February 2014	15.46	350,000	3,500,000	349,823.3	3,498,233	Capital increase	None	Note14
January 2015	0	350,000	3,500,000	349,675.8	3,496,758	Capital decrease of restricted stocks	None	Note15
December 2015	0	350,000	3,500,000	349,626.8	3,496,268	Capital decrease of restricted stocks	None	Note16

Note 1: Date of approval and registration and document No. are November 9<sup>th</sup>, 2007 and Ri-Fu-Chan-Ye Zi No. 09691818000 respectively.

Note 2: Date of approval and registration and document No. are December 18<sup>th</sup>, 2007 and Ri-Fu-Chan-Ye Zi No. 09693594700 respectively.

Note 3: Date of approval and registration and document No. are January 14<sup>th</sup> 2008 and Ri-Fu-Chan-Ye Zi No. 09780124600 respectively.

Note 4: Date of approval and registration and document No. are April 9<sup>th</sup>, 2008 and Ri-Jing-Shou-Shan Zi No. 09701082540 respectively

Note 5: Date of approval and registration and document No. are October 24<sup>th</sup>, 2008 and Ri-Jing-Shou-Shan Zi No. 09701271840 respectively.

Note 6: Date of approval and registration and document No. are August 27<sup>th</sup>, 2009 and Ri-Jing-Shou-Shan Zi No. 09801192040 respectively.

Note 7: Date of approval and registration and document No. are February 3<sup>rd</sup>, 2010 and Ri-Jing-Shou-Shan Zi No. 09901022670 respectively.

Note 8: Date of approval and registration and document No. are July 8<sup>th</sup>, 2010 and Ri-Jing-Shou-Shan Zi No. 09901145830 respectively.

Note 9: Date of approval and registration and document No. are August 9<sup>th</sup>, 2010 and Ri-Jing-Shou-Shan Zi No. 09901176690 respectively.

Note 10: Date of approval and registration and document No. are April 6<sup>th</sup>, 2011 and Ri-Jing-Shou-Shan Zi No. 10001064740 respectively.

Note 11: Date of approval and registration and document No. are August 12<sup>th</sup>, 2011 and Ri-Jing-Shou-Shan Zi No. 10001187300 respectively.

Note 12: Date of approval and registration and document No. are February 18<sup>th</sup>, 2014 and Ri-Jing-Shou-Shan Zi No. 10201029210 respectively.

Note 13: Date of approval and registration and document No. are July 17<sup>th</sup>, 2014 and Ri-Jing-Shou-Shan Zi No. 10201143450 respectively.

Note 14: Date of approval and registration and document No. are February 11<sup>th</sup>, 2014 and Ri-Jing-Shou-Shan Zi No. 10301019530 respectively.

Note 15: Date of approval and registration and document No. are January 17<sup>th</sup>, 2015 and Ri-Jing-Shou-Shan Zi No. 10301260750 respectively.

Note 16: Date of approval and registration and document No. are December 11<sup>th</sup>, 2015 and Ri-Jing-Shou-Shan Zi No. 10401262780 respectively.

### 1.1.2 Types of shares

Unit: One Thousand share

Types of shares	Authorized capital stock			Note
	Outstanding capital stock	Unissued capital stock	In total	
Registered common stock	349,626.8	373.2	350,000	Shares of public companies

### 1.1.3 Related information of shelf registration system: None

### 1.2 Status of shareholders

April 2<sup>nd</sup>, 2015 Unit: person, share; %

Shareholders' structure	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Treasury shares	Total
Numbers							
Number of Shareholders	0	0	32	50	39,106	0	39,188
Shareholding (shares)	0	0	795,604	5,473,785	343,357,410	0	349,626,799
Percentage	0.00%	0.00%	0.23%	1.57%	98.20%	0.00%	100.00%

### 1.3 Shareholding Distribution Status

April 2<sup>nd</sup>, 2015 Unit: share; %

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	9,758	242,196	0.07%
1,000-5,000	18,297	43,573,296	12.46%
5,001-10,000	5,229	42,766,717	12.23%
10,001-15,000	1,644	20,892,151	5.98%

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
15,001-20,000	1,345	25,442,118	7.28%
20,001-30,000	1,118	29,047,732	8.31%
30,001-40,000	492	17,860,035	5.11%
40,001-50,000	350	16,580,127	4.74%
50,001-100,000	588	42,251,374	12.08%
100,001-200,000	225	31,703,998	9.07%
200,001-400,000	92	25,136,513	7.19%
400,001-600,000	17	8,499,120	2.43%
600,001-800,000	14	9,524,684	2.72%
800,001-1000,000	5	4,549,592	1.30%
1,000,001 or over	14	31,557,146	9.03%
Total	39,188	349,626,799	100.00%

#### 1.4 List of major shareholders

April 2<sup>nd</sup>, 2015 Unit: share; %

Names of major shareholders	Shares held	Shareholding ratio (%)
Liang, Ci-Chen	5,788,640	1.66%
Hung, Wen-Chin	5,182,603	1.48%
Fang,,Jenn-Ming	5,116,409	1.46%
Chen, Yu-Lian	2,253,756	0.64%
Lin, Chien-Chang	2,048,706	0.59%
Liu, Lian-Chun	1,725,960	0.49%
Chang, Chin-Te	1,298,000	0.37%
GIZA VENTURE FUND IV (TW) , L.P.	1,295,016	0.37%
GIZA VENTURE FUND V(TW) , L.P.	1,295,016	0.37%
Liang, Chia-Min	1,153,680	0.33%
Liang, Yi-Min	1,153,680	0.33%
Liang, Hsin-Min	1,153,680	0.33%
Total	29,465,146	8.42%

## 1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items		Years	2013	2014	01/01/2015-03/31/2015
Market Price per Share (Note 1)	Highest Market Price		19.25	13.00	11.30
	Lowest Market Price		9.07	4.45	8.70
	Average Market Price		13.70	9.23	9.99
Net Worth per Share (Note 2)	Before distribution		14.32	12.60	12.40
	After distribution		14.32	Yet to be distributed	Yet to be distributed
Surpluses per share	Weighted average shares		345,542	349,252	349,627
	Surpluses per share (Note 3)		(1.55)	(1.73)	(0.21)
Dividends per share	Cash dividends		-	-	-
	Stock Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-	-
Investment rewards analysis	Price/Earnings Ratio (Note 5)		(8.84)	(5.34)	(11.89)
	Price/Dividend Ratio (Note 6)		-	-	-
	Cash Dividend Yield Rate (Note 7)		-	-	-

Note 1: Presenting the highest and lowest market values of common stocks of each year and calculating average market values according to transaction values and amount of each year.

Note 2: Fill the forms based on issued shares in the year end and according to the distribution resolutions of shareholders' meeting of coming year.

Note 3: If the retroactive adjustments are necessary due to stock grants and other reasons, the surpluses per share before and after adjustment shall be presented.

Note 4: If the issue terms of equity securities require that the undistributed dividends of previous years that are accumulated and not distributed until the year with surpluses shall be disclosed.

Note 5: Price-earnings ratio=average closing price per share of current year/surplus per share.

Note 6: Capital-interest ratio= average closing price per share of current year/cash dividends per share.

Note 7: Cash dividends yields ratio=cash dividends per share/average closing price per share of current year

Note 8: The information audited by accountant.

## **1.6 Dividend Policy and Implementation Status**

### **1.6.1** The dividend policies stipulated in the Articles of Corporation

The dividends and bonuses are only available when there are surpluses in the company. The net profits of the Company for each annual financial year shall be allocated in the following order:

#### **1.6.1.1** Paying taxes.

#### **1.6.1.2** Offsetting the losses.

#### **1.6.1.3** Set aside ten percent (10%) as Legal Reserve unless the accumulated amount of such Legal Reserve equals to the total capital of the Company.

#### **1.6.1.4** Setting aside or or make an any reversal of an amount as Special Reserve pursuant to the applicable rules and requirements of the Commission

#### **1.6.1.5** With respect to the earnings available for distribution, i.e. the net profit after the deduction of the items A to D above plus the previously cumulative undistributed Retained Earnings, the Board of Directors may present a proposal to distribute to the Shareholders by way of dividends at the regular meeting for approval.

The industrial environments are changeable and diverse and the corporate life cycle are in the first stage and continued to develop. In order to perfect the financial planning and pursue sustainable development, it's necessary to stipulate the dividend distribution policies. Several factors shall be taken into consideration when it comes to the establishment including future capital expenditure budget and fund demands, the necessity of handling financial problems with surpluses. By doing these can the retained earnings, distributed amounts and the dividends and bonuses distributed to shareholders in cash can be determined. Earnings may be distributed in the form of cash dividends and/or shares, but the cash dividends are prior to any shares, or distribution by the amount of dividends. Share dividends shall comprise a minimum of fifty percent (50%) of the total dividends allocated to Shareholders.

The dividend distribution contents in the Articles of Corporation mentioned above are the draft mapped out by the Board, which needs to be passed at the General Meeting of Year 2016.

### **1.6.2** The dividend distribution scheme proposed at this shareholders' meeting

The dividends and bonuses are not available due to zero surpluses in 2015.

The dividends distribution of the company over the years:

The cash dividends and the stock dividends of 2010 distributed in 2011 are NT\$ 201,258 thousand and NT\$ 24,151 thousand respectively and the total amount distributed accounts for 40.7% of the profits after tax.

There were zero after-tax profits between 2012 and 2015, therefore, the dividends distributions are not available according to Articles of Corporation, and namely the dividend distribution rate was 0%.

### **1.6.3** Whether the dividend policies are estimated to subject to major changes: None

## **1.7 The effects the stock grants proposed at this shareholders' meeting exerting on the corporate performance and surpluses per share**

This is not applicable due to the unavailability of dividends and bonuses of 2015.

## **1.8 Remunerations for employees and directors**

### **1.8.1 The percentage and range of remunerations for employees and directors recorded in the Articles of Corporation**

The allocation of the directors' remunerations should not exceed three percentages of the annual earnings and no less than five percentages of employee remuneration and a company may set off losses if there are any accumulated losses.

The allocation of the directors and employees' remunerations in the Articles of Corporation mentioned above are the draft mapped out by the Board, which needs to be passed at the General Meeting of Year 2016.

### **1.8.2 The handling of difference between estimated allocation amounts and estimated bases of remunerations for employees and directors ; shares calculation bases of employees and directors' remunerations paid in dividends and actual allocation amounts: none.**

### **1.8.3 The remuneration allocation resolutions passed at the Board:**

#### **1.8.3.1 Remunerations paid in cash or stocks for employees and directors: none**

#### **1.8.3.2 The ratio between remunerations for employees paid in stock allocation and after-tax profits in individual or several Financial Statements; and the ratio between total amount of employees' remunerations and after-tax profits in individual or several Financial Statements: none.**

### **1.8.4 The actual remuneration allocation for employees and directors of prior years(including number of shares, amount and share price distributed), the variances, reasons and handling situations shall be clearly stated if there are differences from the recognizing remunerations for employees and directors: none.**

## **1.9 Whether the company has repurchased the shares of its own: none.**

## **2. Debt of the company**

None

## **3. Preferred stock of the company**

None

## **4. GDR of the company**

None

## **5. Employee Stock Option Certificates and Restricted stocks**

### **5.1 The management of Employee Stock Option Certificates yet to expire as of the date of Annual**



**Report publication and its impacts on the interests and rights of shareholders shall be disclosed:**

None.

**5.2 The names subscription situations of manager with Employee Stock Option Certificates and the top ten employees with option-certificate stocks as of the date of Annual Report publication:**

None.

**5.3 The management status of restricted stocks**

**5.3.1 The management status of restricted stocks of year 2012:**

December 31<sup>th</sup>, 2015

Categories of restricted stocks	Restricted stocks of year 2012
Approval date of competent authorities	Financial Supervisory Commission issued a letter with Zi No. 102001492 on April 29 <sup>th</sup> , 2013
Date of issuance	July 1 <sup>st</sup> , 2013
Number of restricted stocks	1,150,000 shares
Issue price	Free of charge, NT\$ 0
Ratio between issued restricted stocks and total issued stocks	0.33%
Vesting conditions of restricted stocks	<p>(1) The employees within the company at present with restricted stocks over one year whose merit of professional performance are A2 and above can require 30% of vesting perception stocks, the distributed stocks dividends and cash dividends at stages.</p> <p>(2) The employees within the company at present with restricted stocks over two year whose merit of professional performance are A2 and above can require 70% of vesting perception stocks, the distributed stocks dividends and cash dividends at stages.</p> <p>Within one month after qualifying the vesting conditions, the company will transfer vesting perception stocks, the distributed stocks dividends and cash dividends from trust account to individual security account.</p>
Restricted rights of restricted stocks	The stocks issued and granted to employees this time are common stocks whose rights and obligations are the same with those outstanding common stocks except the regulations on Item (8) of this Letter.
Custody status of restricted stocks	Once the restricted stocks are issue, they should be delivered to the trust for custody and the Trust Agreement of Indenture shall be signed between the company or the personnel assigned by the company on behalf of employees and trust custody institution. The attendance of shareholders' meeting, proposals, presentation and voting rights are authorized to trust custody institution to perform according to the Trust Agreement of Indenture. Besides, the stock and cash dividends of restricted stocks distributed to employees during indemnity period are all commissioned to the trust.
The handling methods for	(1) Employees who are not in the vesting period are forbidden to sell, pledge,

Categories of restricted stocks	Restricted stocks of year 2012
employees' being allocated with or subscribing for new stocks but failing to meet the vesting conditions	transfer and donate the restricted stocks to others. If they indeed have done those, they will be punished in other ways. (2) The stocks and interests allocated during non-vesting period shall be consigned to the trust.
Number of restricted stocks recovered or repurchased	196,500
Number of restricted stocks	
Number of Stocks without restrictions	953,500
Number of stocks with stocks	0
Stocks with restrictions to total stocks issued (%)	0
Impacts on shareholders' equity	With limited impacts on further annual earnings per share and no significant effects on shareholders' equity.

### 5.3.2 The management status of restricted stocks of year 2015:

The proposals for issuing restricted stocks in 2015 have been passed at the shareholders meeting of 2015, yet haven't actually issued as of the date of Annual Report publication.

### 5.4 The names subscription situations of manager with Employee Stock Option Certificates and the top ten employees with option-certificate stocks:

	Title	Name	Number of restricted stocks acquired	Ratio between restricted stocks acquired and total stocks issued (%)	Lifted restrictions			Unlifted restrictions					
					Number of stocks without restrictions	Issue price	Issuing value	Ratio between stocks without restrictions and total stocks issued (%)	Number of stocks with restrictions	Issue price	Issuing value	Ratio between stocks with restrictions and total stocks issued (%)	
Manager and employees	Vice President	Wu, Yu-Yi	350,000	0.10%	350,000	0	0	0.10%	0	0	0	0%	
	Assistant Vice President	Wang, Jung-Chun											
	Chief of D&R	Ye, Wen-Kuo											
	Employees		Wu Yu-Yi	690,000	0.20%	690,000	0	0	0.20%	0	0	0	0%
			Wang, Jung-Chun										
			Ye, Wen-Kuo										
			Chao, Shun-Hao										
			Lee, Tung-Jung										
			Tang, Feng-Fan										
			Su, Hung-Chia										
	Sun, Chi-Kuang												
	Lee, Hung-Che												
	Ching, Wen-Chi												

**6. New share issue under merge or transfer**

None

**7. Financial plan and execution status**

The issued or privately collected negotiable securities of The Company previously yet to be finished or finished in recent three years but without expected profits as of one quarter prior to date of Annual Report publication: none.

The use of proceeds for negotiable securities issuance has been finished as of one quarter prior to date of Annual Report publication.

## V. Operational Highlights

### 1. Business Activities

#### 1.1 Scope of business

##### 1.1.1 Main contents of the business

##### 1.1.1.1 Electronic components manufacturing

##### 1.1.1.2 Electronic material wholesale business

##### 1.1.1.3 Electronic material retain business

##### 1.1.1.4 Any businesses without being prohibited or restricted by laws except licensing business.

#### 1.1.2 Proportion of business

Unit: NT\$ One Thousand; %

Items	Year 2014		Year 2015	
	Amount	Proportion	Amount	Proportion
Solar polycrystalline silicon wafer	1,852,880	99.95	1,439,522	91.39
Others	891	0.05	135,599	8.61
In total	1,853,771	100.00	1,575,121	100.00

#### 1.1.3 Products (services) provided by the company at present

##### 1.1.3.1 6-inch solar polycrystalline silicon wafer (156\*156mm\*180μm).

##### 1.1.3.2 6-inch solar polycrystalline silicon wafer (156\*156mm\*200μm).

##### 1.1.3.3 6-inch polycrystalline silicon wafer foundry services.

##### 1.1.3.4 Solar polycrystalline ingots and polycrystalline bricks

#### 1.1.4 The new products (services) planned to be developed

High-efficiency solar polycrystalline silicon wafers with more than 19% average transfer efficiency.

### 1.2 Industrial overview

#### 1.2.1 Industrial status and development

Since 1990's the global ecological environment pollution and damage have been increasingly

serious and in response to the worse conditions, the relevant conventions have been stipulated successively. Governments of all the nations reached a consensus for energy saving and carbon reduction based on Kyoto Protocol and Copenhagen Accord and established an important position for solar energy in future energy supply. In the past ten years, European countries, United States, Japan and China have encouraged the investment of solar industry by legislation in succession and have subsidized users which made solar industry begin to flourish.

With the technological advancement of solar cells and costs declination, the application of photovoltaic has shifted from space technology, military use to livelihood purposes and it has been widely applied. In our daily life the large-sized power plants are much more commonplace. By now, in some advanced European countries the costs for photovoltaic power generation has come approximately to power consumption costs in prime time. With the further technological revolutions and cost decrease, more and more countries and regions can enjoy a price the same as the one of commercial power. Furthermore, it's easier to connect grids, which is estimated to mobilize the industrial sustainability. The photovoltaic applications so far are much extensive, which can be classified as follows:

#### Application of solar products and examples

Items	Application examples
Livelihood	Radio, electrical test meter, watch, computer, solar camera, flashlight, battery charger, camping light, household appliance and PV system for power supply of livelihood consumption goods.
Road and traffic	Street lamps, traffic signs, road signs, identification lamp, solar electric vehicle charging stations, freeway emergency telephone, emergency telephone in remote road, parking meter, control gate system in parking lot, PV system for sound-proof wall in expressway and PV systems for highway rest area, solar vehicles, level crossing indicator light, bus shelter and rooftop stations.
Agriculture, forestry, fishery, pestoral and medical areas.	Farmhouse power supply, PV system of power supply for greenhouse culture, agricultural irrigation, fire sprinkler system, agriculture and animal husbandry greenhouses, fisheries aquaculture pumping ventilation and automatic pet feeder.
Communication	PV System for wireless communication, relay base station, emergency telephone relay station, telephone communication power supply and PV

Items	Application examples
	system of signal receiver for microwave relay station and radio.
Buildings	Household power supply system, emergency power supply system, emergency lighting system, curtain wall, sunshade, dome skylight, and roofing-tile type PV system.
Industrial use	Electrical corrosion prevention of pipeline, power supply PV system pipeline flow meter, market advertising tower, offshore oil platform, power supply PV system for all kinds of measuring stations.
Emergency preparedness	Duty Command Center, emergency refuge, medical establishments, parks, schools, earthquake observing station, forester observation deck, evacuation indicator, PV system for power supply of water level alarm, river lamp, PV breakwater safety lamp.
Power plant	Roofing-type and ground-type power plants.

Data source: Photovoltaic Information Network, collocated by Danen, 2016/03

Solar cells can be divided into two types, namely silicon and non-silicon, according to materials applied and silicon battery can be categorized into three types, i.e. Monocrystalline silicon, polycrystalline silicon and Monocrystalline silicon. Among them, Monocrystalline silicon, polycrystalline silicon belong to crystalline solar cells while Monocrystalline silicon are applied in thin-film solar cells. The parts made from non-silicon materials can be divided into compound battery, organic and inorganic materials which are applicable to thin-film solar cells.

Classification table of solar cell materials

Types of solar cells		semiconductor materials	Market module power conversion efficiency
silicon is the most widely used material in PV system	Crystalline Silicon	Monocrystalline Crystalline Silicon	17~20%
		Poly Crystalline Silicon	15~18%
	Amorphous Silicon	Si, SiC, SiGe, SiH, SiO	7~10%
Compounds are applicable to space and HCPV system	III - V compound	GaAs, InP	25~40%
	Non- III - V compound	CdS, CdTe, CuInse	10~14%
Nano & Organic are applicable to organic solar cells which are still developed and researched at present.	TiO <sub>2</sub>		1~8%

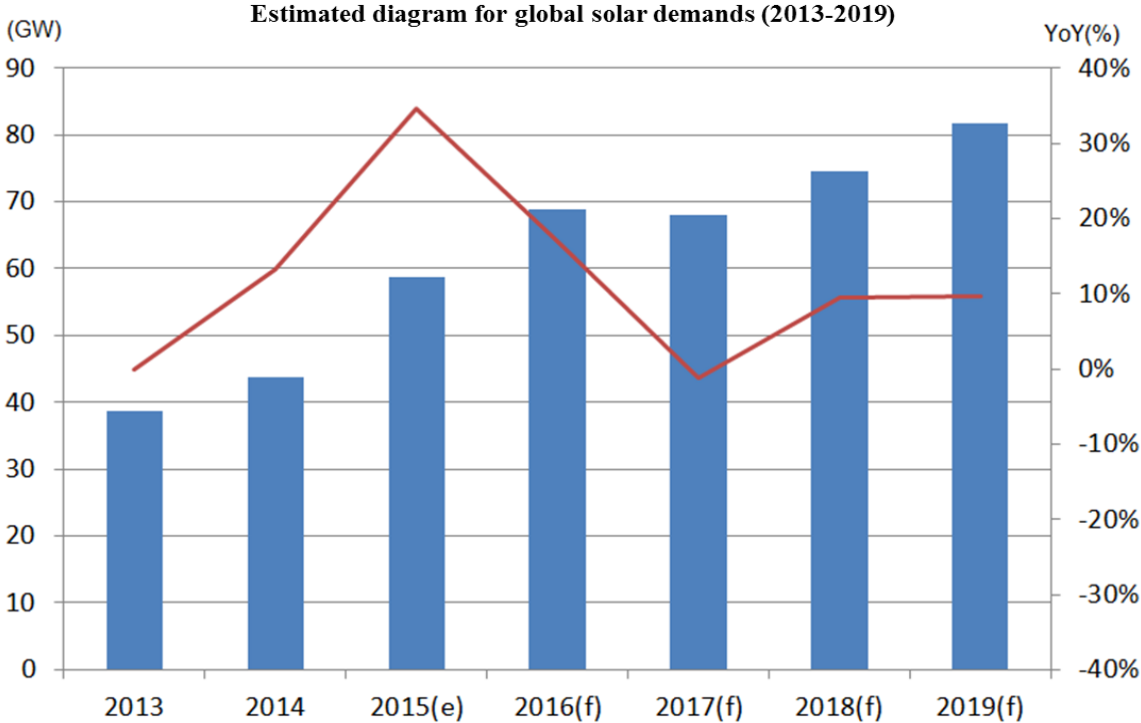
Data source: Photovoltaic Information Network, collocated by Danen, March 2016

Silicon solar cells, divided into Mono crystalline Silicon and Poly Crystalline Silicon, are widely accepted by the market due to excellent durability, higher conversion efficiency and lower average selling price. It has become the mainstream products which account for 90% of market shares. The Mono crystalline solar cells are made from silicon with high purity about 9-11 N which makes its conversion efficiency higher than that of poly crystalline solar cells. However, the higher losses, long and sophisticated processing make the costs higher than those of poly crystalline solar cells. The poly crystalline solar cells require lower purity of silicon materials about 7 to 8 N with a conversion efficiency of 17% to 19%, a little lower than Mono crystalline solar cells. However, it can be rapidly produced without wasting too many materials and the lower costs of raw materials and manufacturing also make it the mainstream products in future crystalline silicon cells. Moreover, thanks to the tendency of cost decline of thin-film solar cells, excellent scratch prevention and light transmission; they can be combined with buildings and applied to external glasses of the building and car windows. Nevertheless, the development potential of it is restricted due to lower conversion efficiency and shortage of resources compared to other crystalline cells and it can be well developed unless the conversion efficiency and the product yield are improved. While, according to the estimations by IEK, EnergyTrend and other market research institutions, the silicon

solar cells will still dominate the market for a period of time in the future.

2012 and 2013 witnessed the serious problem of supply exceeding demands in global solar markets because of excessive expansion of capacity. In response to this problem, the anti-dumping measures were taken by US and EU in succession which sped up the market exit of ineffective capacity. Because of that, the capacity expansion was slowing down which made the solar industry chain under good control. Benefiting from the increasing market demands of China and US, the stable growth of Japanese markets in 2014 and 2015 and the gradually increasing demands of emerging markets such as India and Chile which made up for the market shares in Europe due to subsidies decrements, the global solar equipment requirements are still showing a trend of growth. Besides, as the market demand growth greater than that of capacity increase, the overall PV industries are gradually restored to stable supply and demands.

According to the survey of IHS, the global solar consumption reached 58GW, a growth over 30% compared to 2014 and the global solar demands of 2016 are expected to be more than 68 GW which presents a double-digit rise compared with 2015. Driven by the continual drop of installation costs and the strong demands in China, US and emerging markets the solar market is still with the space to develop in coming years.



Data source: IHS, collocated by Danen, January 2016

Solar cells and wafers boast the highest competitiveness in domestic PV industry whose output ranks second all over the world. The Executive Yuan approved “Dawning Green Energy Industry Program” in April 2009 which made PV as development priority and set



aside considerable budgets in annual budgets for the industrial development; in order to continue the promotion result of “Dawning Green Energy Industry Program” Executive Yuan projected “Rising Green-Energy Industry Program” in August 2012 which is contributing to strengthening the competitiveness and will be expanded and integrated into guidelines for PV industry promotion to maintain the completeness of domestic supply and demand chain. The output for 2020 is expected to reach NT\$ 500 billion. And the “Renewable Energy Development Act” passed by Legislative Yuan through third reading made solar energy, wind power, biomass energy and nuclear energy as prior development technology, among them, solar energy ranks first regarding the input; in order to promote renewable energy, Executive Yuan has verified and approved the adjusted targeted quantity of renewable energy in 2015 and the targeted renewable energy application amount for 2030 that is set by 2010 was lifted from 10.8 GW to 17.2 GW. Thus, it’s possible for solar industry to be next giant industry in Taiwan and Taiwan will play the most important part in the solar energy parts manufacturing and technology.

### 1.2.2 The relationships among up, middle and down streams

Up, middle and down streams manufacturers	Upstream	Middle stream	Downstream
	Poly Silicon	Silicon Wafer	Solar Cell
Domestic manufactures		Sino-American Silicon Products Inc., Danen Technology Corporation, Green Energy Technology, Eversol Corp., Gigastorage Corp., Utech Solar, Co., Ltd. AUO	Motech Industry Corp., E-Ton Solar Tech, Gintech Energy Corp., Phoenix Silicon International Corp., Neo Solar Power Corp., Tainergy Tech. Co., Ltd, Ever Energy PV Corp., Big Sun Energy Tech., Inc., TSEC Corp., Ming Hwei Energy.
Foreign manufacturers	Hemlock Wacker OCI GCL REC Tokuyama SunEdison Mitsubishi	GCL Solar World LDK ReneSola Sornid LONGi RIETECH	Sharp Kyocera Panasonic YingLi Green Canadian Solar Inc. Trina solar JA solar China Sunergy

Up, middle and downstream manufacturers	Upstream	Middle stream	Downstream
	Poly Silicon	Silicon Wafer	Solar Cell
	Daqo		Hanwha/Qcells
Number of manufacturer	10 to 20	About 20 to 30 or more(Note)	30 to 50 or more

Data source: collocated by The Company, March 2016

Note: The silicon wafer plants (vertical integration of upstream and downstream) only for related enterprises including Sharp, Kyocera, Yingli and Trina are not included in.

### 1.2.3 Various development trends of products

The power generation costs for current solar power generation system are gradually getting closer to those for traditional energies. Only when the costs of solar power generation system keep dropping down on the conditions that the high conversion efficiency is kept can solar power generation system take place of traditional ones.

The most widely applied solar cells all over the world are crystalline and non-crystalline silicon. Among them, crystalline silicon account for about 90% market shares and the ratio between Mono silicon and poly silicon is 2:8 or so. The poly crystalline solar silicon are estimated to dominate the market in coming years due to high output, low losses during manufacturing as well as low costs of raw materials and manufacture.

According to estimations by IMEC, the product efficiency of mono crystalline solar silicon will be increased by 19% to 21% in 2015 and that of poly crystalline solar silicon is estimated to be grown to 18% to 20%. The technologies applied in the wafers and cells have been improved, as a result the costs are continuing to be reduced which prolonged the service life of modules to more than 30 years. The industry so far has been dedicating to developing the technologies with respect to silicon wafer quality improvements, cell efficiency betterment as well as cost reductions. Almost all the plants are adopting high-efficiency wafers to improve conversion efficiency, cut down costs expecting to motivate the growth of solar energy industry.

### 1.2.4 Competition situation

The solar industry of Taiwan are mainly engaging in silicon wafer and cell manufacture and cutting a striking figure in industry chain by professional division of labor, which is different from the vertical integration of solar energy plants in industry chain of Europe and Mainland China's giant plants. The solar giant plants are more competitive compared with those in Europe either in water, electricity or in labor costs. So, after financial storms in 2009, the

prices of overall industry chain declined and European giant plant found it hard to compete with Asian ones regarding costs, in consequence, the orders were transferred to Taiwan and Mainland China gradually. Thanks to the development technologies of semiconductors, talents superiority, specialization in professional manufacturing, relatively superb manufacturing technologies, development of excellent conversion efficiency, competitiveness in terms of costs and other favorable advantages owned by Taiwan's manufacturers the future outlooks of Taiwan's solar industry are still something to behold.

### 1.3 Research and Development

1.3.1 The cost for development and research, successfully developed technologies and products in recent two years and period as of the date of Annual Report publication

#### 1.3.1.1 Costs for development and research

Items	Years	Year 2014	Year 2015
Costs for development and research		20,140	17,560
Operating revenues		1,853,771	1,575,121
Ratio of R&D costs to operating revenues		1.09%	1.11%

#### 1.3.1.2 The technologies and products successfully developed

Year	R&D achievement
2009	Completed the development of solar poly crystalline silicon wafers (180μm).
	Successfully developed domestic cutting oils for slicing.
	High yield rates in terms of UMG (16%) and Virgin Poly wafers.
2010	Successfully recycled the cutting oils from waste sizing and reapplied in cutting sizing.
	Succeeded in adjusting the angles and shapes of slicer guide wheels to further improve the slicing yield.
	Successfully applied the diamond wire in ingot cutting processes to further enhance the capacity of machines.
2011	Recycled cutting powder from waste cutting sizing and reapplied in the cutting sizing to reduce the wastes.
	Completed the assessment of next-generation crystalline growth furnace to further improve the capacity of capacity.
	Improved the conversion efficiency of wafers with a growth to more than 16.8%.
2012	Succeeded in developing the crystal growth manufacturing procedures of cast-mono.

	Promoted the wafer conversion efficiency to 17.5%.
2013	Improved the conversion efficiency rate of poly crystalline silicon wafers to 17.8%, which maintained a leading position in the industry.
	Reduced the silicon losses of wafers during slicing processes and enhanced the unit yield of silicon materials by 5%.
2014	Promoted the yield of ingot by 10% in unit time of the machine by transforming the growth crystal machines.
	Reduced the side-effects producing during the manufacturing of growth crystal by introducing new materials and further improved the wafer quality to satisfy the needs of customers with respect to conversion efficiency.
	Optimized the manufacturing processes of high-conversion-efficiency wafers along with the betterment of manufacturing procedures of customers' cells to further promote the average conversion efficiency rate to more than 18.6%.
2015	Reduced deficiency rate of wafer by the optimization of manufacturing procedures of growth crystals along with the betterment of manufacturing procedures of customers' cells to further promote the average conversion efficiency rate to more than 19%.
	Effectively reduced the deficiency rate by reforming the tools and the improvement rate reached more than 20%.
	Cutting down the costs for slicing manufacturing by introducing new slicing materials and the reduction rate was greater than 8%.

### 1.3.2 Future research and development

The future research and development plans are based on the current manufacturing technologies and abilities which aim at further improving the existing products to provide better services for customers and optimizing current technologies, developing more applicable products when it comes to niche market to create opportunities in niche markets. The company will continue to develop and research the technologies for new product manufacturing procedures and relevant materials based on superb solar silicon wafer manufacturing technologies:

**1.3.2.1** We are planning to introduce different types of automation and efficiency solutions to improve the stability of manufacturing yields and the quality risk produced by manual operations.

1.3.2.2 Further declining the quantity of impurities and oxygen in wafers, promoting the average conversion efficiency of wafer and reducing the possibility of battery light attenuation by optimizing the manufacturing processes and materials of growth crystal to improve the quality and reliability of solar cells.

1.3.2.3 Continuing to reform production equipment and introduce new materials to promote the performance of machines and realize the goals of energy saving and carbon reduction.

#### **1.4 Long-term and short-term business development schemes**

##### **1.4.1 Short-term development schemes**

###### **1.4.1.1 To realize production and operation targets.**

Strengthen the cooperation with main customers at home and abroad to satisfy the demands of them and securing the supply and demand relations.

###### **1.4.1.2 To establish a solid market position**

Take active part in searching for and establishing partnerships regarding technology development with strategic customers, rapidly import the high-efficiency products to enhance the market position and set up solid sales channels.

###### **1.4.1.3 To ensure the proper supply of silicon raw materials**

Continues to establish long-term partnerships with major silicon raw material suppliers, control the costs of raw materials with the aid of best combination and expect to grasp the changes of global raw material supply and demands by market positioning.

###### **1.4.1.4 To expand the market power of high-efficiency products**

Speed up the pace of developing technologies of high-efficiency products by strengthening the technical cooperation and communication to maintain the leading position of product technologies throughout the world.

##### **1.4.2 Long-term development schemes**

###### **1.4.2.1 To deepen the production technologies of poly crystalline silicon products**

Deepen the relevant core technologies of crystalline silicon wafers and input higher-level technological research and product development with more added values to look forward to being the best solar product manufacturer.

###### **1.4.2.2 To intensify the upstream and downstream value integration**

Strengthen the upstream and downstream value integration and building partnerships with first-class giant plants in terms of technologies and products at home and abroad. In addition, intensify us the product technologies and improving the popularity and influence of our products in the industry by cooperative alliance.

## **2. Market and Sales Overview**

### **2.1 Market analyses**

#### **2.1.1 Sale territories of major commodities (services)**

The sales territories of former products including European areas, US and Mainland China while the major market in recent two years was Taiwan, the sales in domestic and foreign markets were 96.02% and 3.98% respectively in 2015.

#### **2.1.2 Market shares and the situations of future market supply & demands and growth**

##### **2.1.2.1 Market shares**

The products of the company are mainly sold in the most advanced wafer markets and the market positioning is the main factors taken into consideration when it comes to sales, the market shares are expected to be increased gradually after the new capacity is enabled.

##### **2.1.2.2 The situations of future market supply & demands and growth**

According to the estimation by the research institutions, the power generation costs of PV system in most market regions globally will form competitiveness against traditional electric power in coming years and the motivation for cost reductions will be continued which will drive a long-term flourishing development of PV industry.

As for market demands growth, according to the “Technology Forecasting Survey” by hundreds of experts issued by a research institution in US that from 2015 to 2020, 30% of global energies will be from alternative energy sources. The alternative energy, especially solar energy is expected to be the mainstream of future energy as results of continual deterioration of climate change and the corresponding practical policies, protocols and regulations stipulated by governments of all the nations and transnational organizations; more and more funds and talents investments which contribute greatly to the growth and development of alternative energies.

#### **2.1.3 Favorable competitive advantages**

**2.1.3.1** The major members of R&D team within the company are equipped with the professional management experience of semiconductors’ manufacturing processes. Besides, the manufacturing procedures of semiconductors are similar to those of solar wafer and cells which are remarkably beneficial for the future product R&D and the master of applied technologies. In the meantime, most of the members in the team are talents in massive production of poly crystalline silicon wafer which will rapidly promote the development of new products and production capacity with less cost.

**2.1.3.2** There are professional managers with at least twenty-year experience in manufacture and technical

industry management in operation & management team within the company who are proficient in corporate operation and organization as well as marketing management.

**2.1.3.3** We are dedicated to investing in advanced poly crystalline silicon wafer machines and technologies for quality betterment, which are effective in enhancing the quality of solar silicon wafers and making the costs and performance of the products more competitive.

**2.1.3.4** We are focusing on mastering the supply resources of upstream silicon materials and establishing good trading and cooperative relationships with world-class silicon raw material supply companies, making sure the proper supply of silicon raw materials and effectively controlling the material costs based on changes of supply and demands.

**2.1.4** The favorable or unfavorable factors for long-term development and corresponding measures

**2.1.4.1** Favorable factors

**2.1.4.1.1** Changeable global ecological environment and increasing environmental awareness

The temperatures are continuing to rise, global climate changing anomalously and the ice melting caused by greenhouse effects as results of human beings' excessive exploration of natural ecological environments, substantial emission of CO<sub>2</sub>. In response to these problems, UN has stipulated the protocols against man-made greenhouse gases emission. Furthermore, the Kyoto Protocol was signed in 1997 and took into effect in 2005. Later the Climate Treaty of Paris was signed on December 12<sup>th</sup>, 2015 which was the treaty possessing the right to restrict the greenhouse gases reductions after Kyoto Protocol. The increase of CO<sub>2</sub> emissions has become the main threats for ecological environment. In order to safeguard the living environment of next generations, the carbon emission reductions should be the consensus reached by all the nations globally; and the application of solar energies is one of the important ways to effectively reduce carbon emission.

**2.1.4.1.2** Subsidies from all nations cutting down the costs for system installation

The power generation costs of PV system are still higher than other traditional ones because the conversion efficiency technologies of solar cells are yet to be improved. In the early stage of industrial development, the governments have played important roles in installation cost subsidies, Germany, Japan and US are cases in point which has invested in the solar energy industry and encouraged the installation of solar system with relatively high subsidy policies in the early phase and gradually reduced the subsidies or canceled the policies after the solar systems are widely used; in addition, "Renewable Energy Development Act" stipulated by Legislative Yuan through third read in June 2009 and the targeted quantity of renewable energies of 2030 set in 2010 was 10.8 GW which was expanded into 17.2 GW in 2015 including the priority renewable items such as solar energy (8.7GW), wind power (5.2 GW) and

biomass energy (0.95 GW as the target) and among them, solar energy ranked first.

#### **2.1.4.1.3** Traditional fossil energies are deficient which has driven the demands of alternative energies

The application of traditional energies tend to increase instead of decrease due to the continual development of major economies in the world, especially in the emerging countries with rapid development rate, the energy demand growth are much higher than developed countries. However the fact is that the global traditional energies i.e. petroleum, natural gases and coals will be used up one day. Take the petroleum as an example, the development of alternative energies has become a significant issue in respect to global economy as the decline of global oil storage amount. While the solar energy is the most important alternative energy that will never be used up, in consequence, it has attracted numerous investments from the countries throughout the world.

#### **2.1.4.1.4** Japan's Fukushima nuclear leakage crisis showed the importance of alternative energies

The Fukushima nuclear leakage crisis caused by 3.11 earthquake in 2011 has arisen global concerns about safety of nuclear energy. The doubts about nuclear power safety have promoted all the countries to modify their policies on energies. In a long run, people will be urged to pay more attention to the safe alternative energies which is helpful for the development of solar energy, wind power and renewable energy industries.

#### **2.1.4.2** Unfavorable factors

##### **2.1.4.2.1** Changes in policies of alternative energies in all the countries

Restricted by the influence of economic environment or subsidy policies of all governments, the early industry development is easy to run into imbalance situation between supply and demands. For example, since the end of 2008, the subsidy policies for solar energy was restricted and shrunken in main markets, namely European areas and US due to the negative impacts of financial storms which has dampened the needs of terminal solar system installation. In addition, the government of Mainland China has provided potent political supports after the 12<sup>th</sup> Five Year Plan, which has resulted in considerable supply, constant falling market prices and further the significant changes in supply and demands.

##### Corresponding measures:

The company has known for high-quality and competitive products since founded and the constant increase of conversion efficiency, drop of manufacturing costs have made the prices and quality of poly crystalline silicon wafers of the company more competitive in the market. In addition, we are mastering the industrial trends at home and abroad at any time and making best responses such as adjustment of sales strategies, capacity application and high-level flexibility according to market changes. With the continuous decline of solar power generation and the price rise of electricity generated by traditional energies, the solar power generation costs are



approaching the traditional ones which will reduce the industrial reliance on political supports gradually.

#### 2.1.4.2.2 Price dumping from Mainland China's enterprises

Due to strong supports from Mainland China governments, the manufacturers are sprung up and expanding the productions in succession. With the supported funds, manpower and political subsidies from all level of governments, the enterprises of Mainland China are seizing the markets with low-price tactics. In spite of the notorious quality, it has really put burden on the manufacturers European countries, US and Taiwan.

##### Corresponding measures:

The Company is dedicated to producing high quality and performance products and focusing on advanced markets that are different from the markets with low-price silicon wafers in Mainland China. Furthermore, we took active participation in R&D in recent years and we have made some progresses in material reduction and recycled technologies. In consequence, the manufacturing cost control could be varied from the changes of market price, all of which made The Company competitive compared with the rivals in Mainland China.

#### 2.1.4.2.3 The emergence of other alternative energies

Crystalline solar wafers are the mainstream products at present with 90% market shares. While, thanks to the large size feature, the tendency of cost decline of thin-film solar cells, excellent scratch prevention and light transmission, they can be combined with buildings and play a special role. Nevertheless, the development potential of it is restricted due to lower conversion efficiency compared to other crystalline cells and it can be well developed unless the conversion efficiency and the product yield are improved.

##### Corresponding measures:

We are looking forward to being first-class solar energy technical resolution provider and exploring other technical development of alternative resources in different directions and the possibility of different energy alternatives as the technical revolutions.

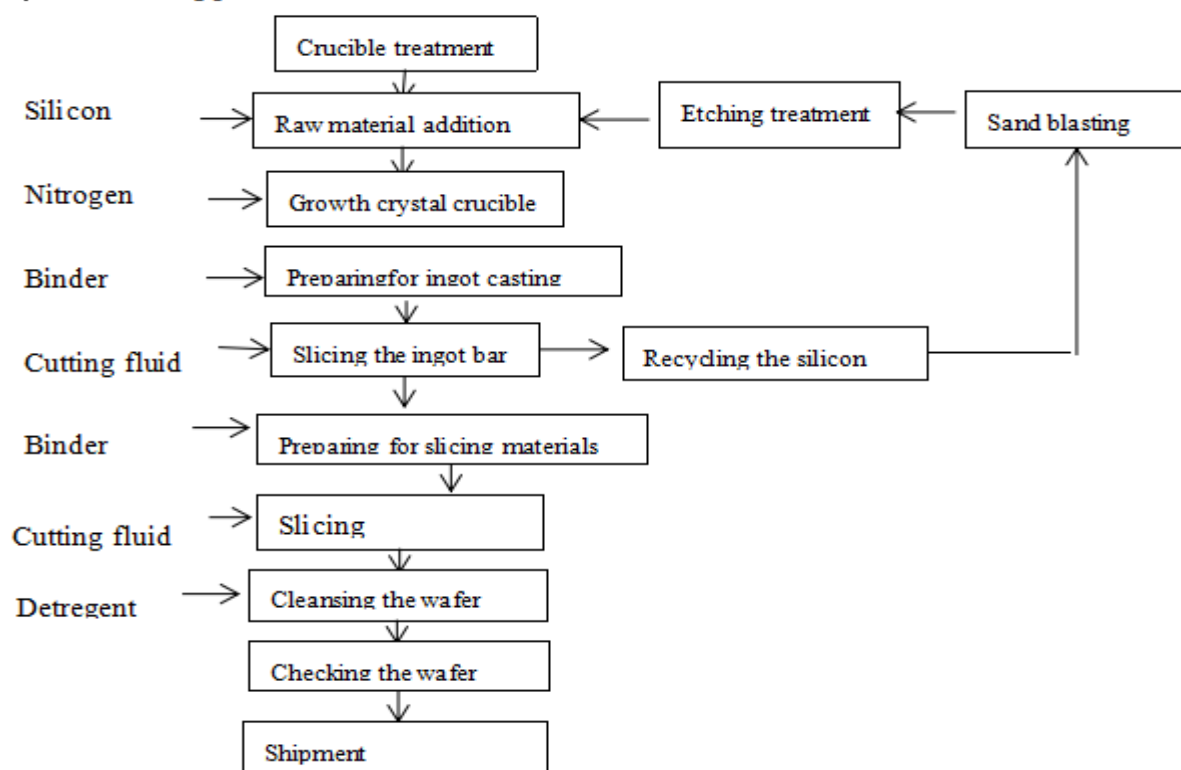
## 2.2 The important uses and manufacturing procedures of main products

### 2.2.1 The application of main products:

Product	Application
Solar poly silicon wafer	Solar cells, solar PV modules

## 2.2.2 Manufacturing procedures

### Manufacturing procedures of raw materials



## 2.2.3 Supply Status of Main Materials

Major Raw Materials	Source of Supply	Supply Situation
Silicon	Hemlock, OCI and REC	Good

## 2.2.4 Main customer list of purchases and sales

### 2.2.4.1 Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands; %

Items	2014				2015				2016 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Supplier A	337,385	25.65	No	Supplier A	282,880	22.46	No	Supplier A	92,431	37.93	No
2	Supplier C	141,734	10.78	No	Supplier B	254,624	20.22	No	Supplier D	29,275	12.01	No
-	Others	836,250	63.57	No	Others	721,723	57.32	No	Others	121,989	50.06	No
-	Net purchase amount	1,315,369	100.00	-	Net purchase amount	1,259,227	100.00	-	Net purchase amount	243,695	100.00	-

Note: Major suppliers refer to those commanding 10%-plus share of annual order volume.

The changes of suppliers of The Company in recent two years and a period as of Financial Statement Date are mainly based on the changes of silicon supply resources dispersion to reduce the operational risks and the impacts of customers' order demands.

#### 2.2.4.2 Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands; %

Items	2014				2015				2016 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Company A	330,851	17.85	No	Company F	370,168	23.50	No	Company C	143,049	31.63	No
2	Company B	288,045	15.54	No	Company C	304,642	19.34	No	Company H	63,770	14.10	No
3	Company C	267,531	14.43	No	Company G	298,261	18.94	No	Company F	62,026	13.72	No
4	Company D	225,270	12.15	No	Company E	270,117	17.15	No	Company I	49,770	11.01	No
5	Others	742,074	40.03	No	Others	331,933	21.07	No	Company E	49,185	10.88	No
6	-	-	-	-	-	-	-	-	Others	84,392	18.66	No
-	Net Sales	1,853,771	100.00	-	Net Sales	1,575,121	100.00	-	Net Sales	452,192	100.00	-

Note: Major clients refer to those commanding 10%-plus share of annual order volume.

The changes of suppliers of the company in recent two years and a period as of the Financial Statement Date are mainly including the corporate changes vary with the industrial trends resulted from customer purchasing strategies and business performances as well as corresponding sales strategy adjustments.

#### 2.2.5 Production in the Last Two Years

Unit: thousand pieces; NT\$ thousands

Output	Year	2014			2015		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major products							
Poly crystalline silicon solar wafers		76,530	62,624	2,047,704	77,867	60,265	1,952,784
Total		76,530	62,624	2,047,704	77,867	60,265	1,952,784

## 2.2.6 Shipments and Sales in the Last Two Years

Unit: thousand pieces; NT\$ thousand; Kg

Shipment & Sales Major products	Year	2014				2015			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Poly crystalline silicon solar wafers		54,692	1,627,330	7,505	225,550	58,104	1,512,354	2,120	61,950
Others		6.7	891	0	0	0	0	1	817
In total		-	1,628,221	-	225,550	-	1,512,354	-	62,767

## 3. Human Resources

Unit: Person

Year		2014	2015	March 31 <sup>th</sup> , 2016
Number of employees	Managers	27	26	27
	Common employees	88	84	87
	Manufacturing workers	231	217	239
	In total	346	327	353
Average ages (years old)		31 years old	32 years old	32.6 years old
Average service seniority (years)		2.91 years	3.47 years	3.54 years
Education	Ph.D.	1%	1%	1%
	Master	13%	13%	12%
	University	53%	50%	44%
	Junior college	18%	16%	14%
	High school	15%	20%	29%

Note: the managers here refer to the directors above unit directors

## 4. Environmental Protection Expenditure

### 4.1 Total Losses and Penalties: None.

### 4.2 Countermeasures:

There was no environment pollution produced since the company started and the periods as of the date of Annual Report publication. So far, the waste water and gases produced during production and manufacture have been well treated by pollution-prevention equipment before being discharged and the industrial wastes are commissioned to the treatment agencies ratified by competent authorities.

## **5. Labor Relations**

### **5.1 All kinds of employee welfare benefits, further education, training, retirement system and actual executions as well as the execution of labor-capital agreements and maintenance of employees' rights and interests**

#### **5.1.1 Employee welfare benefits**

**5.1.1.1** The company purchases National Health Insurance, labor insurance, setting aside pension reserve, overdue wages repayment funds as well as providing accident insurance.

**5.1.1.2** The employees join Employee Welfare Committee according to Employee Welfare Fund Act. The Committee is responsible for handling with employee welfare affairs and setting aside bonuses according to the percentages of venture capital, monthly operating revenues, employees' salaries and revenues from selling off leftovers based on the regulations.

**5.1.1.3** In addition, the employees within company enjoy the comprehensive group insurances of Life Insurance Agency bought by the company including life insurance, accident insurance and cancer & medical insurance.

**5.1.1.4** The new employees enjoy the holidays more than the ones regulated by the calendar of government agencies once they are working in the company.

**5.1.1.5** We hold birthday parties, department dinner parties on a regular basis and the employee traveling activities irregularly to unite the employees' emotions, liven up the harmony and perk up the morale.

**5.1.1.6** The employees will be distributed with bonuses annually according to Articles of Corporation if there are surpluses.

#### **5.1.2 Employees' further study and training**

Once the new employees are in office they will be provided with professional and technical training based on different functions and business requirements to strengthen their functions and effectively improve the corporate performance and competitiveness. Furthermore, we enhance employees' professional knowledge by holding professional courses, technical seminars and other activities; besides, the online courses are provided to launch comprehensive and systematic educational plans which are beneficial for improving the individual abilities and quality.

The training plans of Danen Technology Corp. are as follows:

**5.1.2.1** Training for new employees: including two phases, i.e. basic information introductions for newcomers, fundamental occupational training which is contributing to their perception and grasping of corporate philosophy and cultures; by individual guidance, online study and tests can employee acquire the occupational skills rapidly.

**5.1.2.2** Enhancement of professional functions: As for the professional competency of different areas we have conducted internal training along with the combination with external academic seminars, the

professional courses offered by consultant companies and other channels to improve employees' knowledge and skills.

**5.1.2.3 Training for management skills:** in order to cultivate the management abilities of directors, we have planned a series of applicable training courses for directors of all levels, including: management practices, corporate operation and management, leadership and other training and referred to the external managerial trends to lead the team to realize the goals set by organization.

**5.1.2.4 Training subsidies:** in order to meet different functional needs of employees, intensify the professional competency of them we have provided employees with subsidies for external training courses to improve the competitiveness of the organization.

**5.1.2.5 Self-development:** We have self-developed the educational training system and the E-learning and practical course engagement available for employees, with which they can learn some knowledge irrelevant to the work to improve themselves and acquire comprehensive and in-depth outcomes.

The execution results of educational courses in 2014 can be seen below:

<b>Types of courses</b>	<b>Number of class</b>	<b>Gross impression</b>	<b>Total hours</b>	<b>Total expenses(NT\$)</b>
Training for new employees	89	206	1,030	136,484
General training	30	222	370	
Professional training	24	223	451	
Managerial abilities	7	141	225	
Self-development	63	70	581	
In total	213	862	2,657	

### **5.1.3 Retirement system and execution results**

According to Labor Standards Law, we allocate 6% of monthly salaries of employees as pension, which is in line with the provisions of relevant regulations.

### **5.1.4 The conditions of labor-capital agreement**

We have been focusing on human-based management and adhering to the philosophy of sharing weal and woe together with employees. In consequence, with respect to communication of labor-capital problems we have always adopted flexible and multi-faceted measures which have maintained a good labor-capital relation.

### **5.1.5 Supporting measures for all kinds of employees' rights and interests**

The Company has stipulated comprehensive regulations and systems which clearly state all the managerial policies, employees' rights and obligations as well as welfare items. In addition, we conduct regular reviews on the welfare items to safeguard the rights and interests of the employees.

**5.2 The losses incurred from labor disputes in recent years and the periods as of the date of Annual Report publication; the disclosure of estimated amounts involved in the labor disputes at present and in the future as well as the corresponding measures, the reasons should be demonstrated if the amount cannot be reasonably estimated: None.**

## 6. Important Contracts

Contract character	Parties involved	The beginning and ending dates of the contract	Main contents	Restricted terms
Lease Contract	Pan-Asia Technology (shares) Company	2008.02.15~2023.06.30	Factory land lease	None
Lease Contract	Pan-Asia Technology (shares) Company	2010.01.20~2025.06.30	Factory land lease	None
Lease Contract	Pan-Asia Technology (shares) Company	2010.12.27~2026.05.31	Factory land lease	None
Engineering contract	Apex Science & Engineering Corp.	2011.01.10~date of project acceptance	Civil engineering construction projects and project of general air conditioning and electrical system of Fab 3	None
Supply contract	OCI Company Ltd.	2011.03.15~2018.12.31	Purchasing contract of raw materials of poly crystalline silicon	The total purchasing amount of 2018 will reach 3,500,000kgs

## VI. Financial overview

### 1. Five-Year Financial Summary

#### 1.1 Condensed Balance sheet-- Based on ROC GAAP

Unit: NT\$ One Thousand

Items	Years	Financial data of prior five years (Note 1)				
		Year 2011	Year 2012	Year 2013	Year 2014	Year 2015
Current assets		2,963,477	1,402,480	N/A	N/A	N/A
Funds and investment		11,020	173,701			
Fixed assets		4,618,848	4,559,880			
Intangible assets		—	—			
Other assets		193,960	342,613			
Total assets		7,787,305	6,478,674			
Current liability	Before distribution	1,278,005	1,393,109			
	After distribution	1,479,263	1,393,109			
Long-term debts		1,725,349	1,078,981			
Other liabilities		2,535	5,663			
Total liabilities	Before distribution	3,005,889	2,477,753			
	After distribution	3,207,147	2,477,753			
Capital stock		2,036,733	2,036,733			
Unearned capital stock		—	—			
Capital reserves		2,818,537	2,744,683			
Retained earnings	Before distribution	(73,854)	(780,294)			
	After distribution	(275,112)	(780,294)			
Unrealized gain or loss on financial instrument		—	—			
Cumulative translation adjustment		—	(201)			
Net loss not recognized as pension costs		—	—			
Total equity	Before distribution	4,781,416	4,000,921			
	After distribution	4,580,158	4,000,921			

Note 1: The financial data of prior five year have been audited and verified by accountant.



## 1.2 Condensed Balance sheet-- Based on IFRS

Unit: NT\$ One Thousand

Years		Financial data of prior five years (Note 1)					Financial data of current year as of March 31 <sup>th</sup> , 2016 (Note 2)
		2011	2012	2013	2014	2015	
Items							
Current assets			1,390,865	862,605	1,369,168	1,246,962	1,312,637
Real estate, factories and equipment			4,327,235	3,960,322	3,602,486	3,241,820	3,104,870
Intangible assets			0	0	0	0	0
Other assets			760,646	1,077,524	555,133	347,760	311,152
Total assets			6,478,746	5,900,451	5,526,787	4,836,542	4,728,659
Current liabilities	Before distribution		1,393,532	985,605	390,589	367,507	350,011
	After distribution		1,393,532	985,605	390,589	Yet to be distributed	Yet to be distributed
Non-current liabilities			1,084,644	646,501	128,070	62,705	44,158
Total liabilities	Before distribution		2,478,176	1,632,106	518,659	430,212	394,169
	After distribution		2,478,176	1,632,106	518,659	Yet to be distributed	Yet to be distributed
Equity attributable to parent company owners		N/A	4,000,570	4,268,345	5,008,128	4,406,330	4,334,490
Capital stock			2,036,733	2,648,233	3,496,758	3,496,268	3,496,268
Capital reserves			2,744,683	2,253,805	2,050,412	1,513,900	1,513,900
Retained earnings	Before distribution		(780,645)	(624,731)	(537,100)	(603,838)	(675,678)
	After distribution		(780,645)	(624,731)	(537,100)	Yet to be distributed	Yet to be distributed
Other equity			(201)	(8,962)	(1,942)	0	0
Treasury stock			0	0	0	0	0
Non-controlling interests			0	0	0	0	0
Total equity	Before distribution		4,000,570	4,268,345	5,008,128	4,406,330	4,334,490
	After distribution		4,000,570	4,268,345	5,008,128	Yet to be distributed	Yet to be distributed

Note 1: The financial data of prior five year have been audited and verified by accountant.

Note 2: Checked and approved by accountants.

### 1.3 Consolidated Condensed Statement of Income - Based on ROC GAAP

Unit: NT\$ One Thousand

Item \ Year	Financial data of prior five years (Note 1)				
	2011	2012	2013	2014	2015
Operating revenue	3,869,107	902,783			
Gross profit	(230,446)	(736,280)			
Income from operations	(340,828)	(825,206)			
Non-operating income	31,056	23,253			
Non-operating expenses	(63,033)	(86,144)			
Income before tax	(372,805)	(888,097)			
Income from operations of continued segments - after tax	(327,361)	(759,906)	N/A	N/A	N/A
Income from discontinued operations	—	—			
Extraordinary gain or loss	—	—			
Cumulative effect of accounting principle changes	—	—			
Net income	(327,361)	(759,906)			
Earnings per share	(1.67)	(3.73)			

Note 1: The financial data of prior five year have been audited and verified by accountant.

## 1.4 Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousand

Items \ Years	Financial data of prior five years (Note 1)					Financial data of current year as of March 31 <sup>th</sup> , 2016 (Note 2)
	2011	2012	2013	2014	2015	
Operating revenue		902,783	1,011,473	1,853,771	1,575,121	452,192
Gross profit		(732,611)	(584,261)	(398,002)	(454,774)	(44,798)
Income from operations		(819,635)	(667,125)	(484,143)	(532,787)	(65,127)
Non-operating Income and expense		(62,891)	(73,079)	4,579	7,936	(5,205)
Income before tax		(882,526)	(740,204)	(479,564)	(524,851)	(70,332)
Continuing operating net profits for current period		(755,282)	(624,268)	(537,100)	(603,838)	(71,840)
Discontinued operating losses		0	0	0	0	0
Net profit (loss) for current period		(755,282)	(624,268)	(537,100)	(603,838)	(71,840)
Other consolidated profits or losses for current period (net amount after tax)	N/A	(201)	(211)	0	0	0
Total consolidated profits or losses for current period		(755,483)	(624,479)	(537,100)	(603,838)	(71,840)
Net profits are attributable to parent company owners		0	0	0	0	0
Net profits are attributable to non-controlling equity		0	0	0	0	0
Total consolidated profits or losses are attributable to parent company owners		0	0	0	0	0
Total consolidated profits or losses are attributable to non-controlling equity		0	0	0	0	0
Earnings per share		(3.71)	(2.41)	(1.55)	(1.73)	(0.21)

Note 1: The financial data of prior five year have been audited and verified by accountant.

Note 2: Checked and approved by accountants.

## 1.5 Names and auditing opinions of CPA in recent five years

### 1.5.1 Names and auditing opinions of CPA in recent five years

Years	CPA	Name of accounting firm	Auditing opinion
2011	Lai, Cung-Hsih Lin, Chun-Yao	PwC Taiwan	Clean opinion
2012	La, Cung-Hsih Lin, Chun-Yao	PwC Taiwan	Clean opinion after amendment
2013	La, Cung-Hsih Lin, Chun-Yao	PwC Taiwan	Clean opinion after amendment
2014	Lee, Hsiu-Ling Lin, Chun-Yao	PwC Taiwan	Clean opinion after amendment
2015	Lee, Hsiu-Ling Zhi, Bing-Jun	PwC Taiwan	Clean opinion after amendment

1.5.2 If the accountants have been changed in recent five years, the reasons for changing provided by the company, former accountant and successor should be noted: None.

## 2. Five-Year Financial Analysis

### 2.1 Consolidated Financial Analysis – Based on ROC GAAP

Analysis items (Note 3)		Year	Financial Analysis for the Past Five Years (Note 1)			
		2011	2012	2013	2014	2015
Financial structure	Debt/asset ratio (%)	38.60	38.24	N/A	N/A	N/A
	Ratio of long-term capital to fixed assets (%)	140.87	111.40			
Solvency	Current ratio (%)	231.88	100.67			
	Quick ratio (%)	214.79	90.11			
	Interest earned ratio (times)	(Note 2)	(Note 2)			
Operating performance	Accounts receivable turnover (times)	20.45	10.52			
	Average collection period	18	35			
	Inventory turnover (times)	19.10	17.42			
	Accounts payable turnover (times)	19	21			
	Average days in sales	17.44	25.77			
	Fixed assets turnover (times)	0.84	0.20			
	Total assets turnover (times)	0.50	0.14			
Profitability	Return on total assets (%)	(4.30)	(9.90)			
	Return on stockholders' equity (%)	(8.27)	(17.31)			
	Ratio to issued capital (%)	Operating income	(16.73)	(40.52)		
		Pre-tax income	(18.30)	(43.60)		
	Profit ratio (%)	(8.46)	(84.17)			
	Earnings per share (NT\$)	(1.67)	(3.73)			
Cash flow (%)	Cash flow ratio	(Note 2)	(Note 2)			
	Cash flow adequacy ratio	12.95	11.89			
	Cash reinvestment ratio	(Note 2)	(Note 2)			
Leverage	Operating leverage	(6.89)	0.41			
	Financial leverage	0.87	0.93			

Note 1: The financial data of prior five year have been audited and verified by accountant.

Note 2: Non-applicable because the correlation ratio is negative.

Note 3: Calculation formula of financial ratio can be seen below:

## **2.1.1 Financial structure**

**2.1.1.1** Debt/asset ratio=total debts/total assets.

**2.1.1.2** Ratio of long-term capital to fixed assets =(net shareholders' equity+long-term debts)/net fixed asset.

## **2.1.2 Solvency**

**2.1.2.1** Current ratio =current assets/current liabilities.

**2.1.2.2** Quick ratio=(current assets-inventory-prepayments)/current liabilities.

**2.1.2.3** Interest earned ratio =net profits of income tax and interest expenses before tax/interests expenses for current period.

## **2.1.3 Operating performance**

**2.1.3.1** Accounts receivable (including accounts receivable and notes receivable for business)

turnover=net sales revenues/average accounts receivable balances for all periods (including accounts receivable and notes receivable for business).

**2.1.3.2** Average collection period =365/receivables turnover.

**2.1.3.3** Inventory turnover=goods sale costs/average inventory amount.

**2.1.3.4** Accounts payable (including accounts payable and notes payable for business) turnover=sales expenses/average accounts payable balances for all periods (including accounts payable and notes payable for business).

**2.1.3.5** Average sales days=365/ inventory turnover.

**2.1.3.6** Fixed assets turnover=net sales revenues/net fixed assets.

**2.1.3.7** Total assets turnover=net sales revenues/total assets.

## **2.1.4 Profitability**

**2.1.4.1** Return on total assets =[profit or loss after tax + interest expends  $\times$ (1- tax ratio)/total average assets].

**2.1.4.2** Return on stockholders' equity =profit or loss after tax/net average shareholders' equity.

**2.1.4.3** Profit ratio=profit or loss after tax/net sales revenues.

**2.1.4.4** Earnings per share=(net profits after tax-dividends of common stocks)/weighted average number of shares issued.

## **2.1.5 Cash flow**

**2.1.5.1** Cash flow ratio=net cash flow for business activities/current liabilities.

**2.1.5.2** Cash flow adequacy ratio= net cash flow for business activities in recent five years/(capital expenses + cash dividends) in recent five years.

**2.1.5.3** Cash reinvestment ratio=(net cash flow for business activities-cash dividends)/(gross fixed assets + long - term investments + other assets + operating capital).

## **2.1.6 Leverage**

**2.1.6.1** Operating leverage= (net operating revenues-changes in operating expenses and costs)/operating profits.

**2.1.6.2** Financial leverage =operating profits/(operating profits-interest expenses).

## **2.2 Causes of change in financial ratio**

### **2.2.1 Financial structure**

The ratio of long-term funds/fixed assets dropped down mainly because the profits reduction of 2012 and payment for medium and long-term debts of banks which has led to the reduction of shareholders' equity and long-term liability.

### **2.2.2 Solvency**

The drop of debt paying ability is mainly because of the decline of the cash and cash equivalent of 2012 compared with 2011 due to SPO handled in 2011, capital expenses and payments for medium and long-term debts, which has led to decline of liquidity ratio and quick ratio.

### **2.2.3 Operating performance**

The management ability of 2012 declined compared with 2011 due to the sharp fall down of industrial demands of 2012 unexpected depressed outcomes of capital expenses.

### **2.2.4 Profitability**

The profitability of 2012 decreased compared with 2011 due to reduction of industrial demands and remarkable price fall of silicon wafers.

### **2.2.5 Leverage**

The degree of operating leverage increased mainly because the sharp drop of industrial demands. The Company has adopted selective ordering mode in response to the market conditions to reduce the losses incurred.

## 2.3 Consolidated Financial Analysis – Based on IFRS

Item (Note 4)		Year	Financial data of prior five years (Note 1)					Financial data of current year as of March 31 <sup>th</sup> , 2016 (Note 2)
		2011	2012	2013	2014	2015		
Financial structure (%)	Debt Ratio	N/A	38.25	27.66	9.38	8.90	8.34	
	Ratio of long-term capital to property, plant and equipment		117.52	124.10	142.57	137.86	141.03	
Solvency (%)	Current ratio		99.81	87.52	350.54	339.30	375.03	
	Quick ratio		89.25	71.70	296.80	289.42	318.03	
	Interest earned ratio (times)		(Note3)	(Note3)	(Note3)	(Note3)	(Note3)	
Operating performance	Accounts receivable turnover (times)		10.52	13.03	11.39	9.04	12.46	
	Average collection period		35	28	32	40	29	
	Inventory turnover (times)		17.38	15.91	14.69	11.21	12.07	
	Accounts payable turnover		21	23	25	33	31	
	Average days in sales		25.71	23.25	14.65	10.50	10.60	
	Property, plant and equipment turnover (times)		0.21	0.24	0.51	0.49	0.58	
	Total assets turnover (times)		0.13	0.16	0.32	0.30	0.38	
Profitability	Return on total assets (%)		(9.83)	(9.56)	(9.12)	(11.59)	(1.49)	
	Return on stockholders' equity (%)		(17.21)	(15.10)	(11.58)	(12.83)	(1.64)	
	Pre-tax income to paid-in capital (%)		(44.33)	(27.95)	(13.71)	(15.01)	(2.01)	
	Profit ratio (%)		(83.66)	(61.72)	(28.97)	(38.34)	(15.89)	
	Earnings per share (NT\$)		(3.71)	(2.41)	(1.55)	(1.73)	(0.21)	
Cash flow	Cash flow ratio (%)		(Note3)	(Note3)	4.95	24.78	24.84	
	Cash flow adequacy ratio (%)		11.21	14.07	15.05	3.35	16.76	
	Cash reinvestment ratio (%)		(Note3)	(Note3)	0.27	1.27	1.21	
Leverage	Operating leverage	0.41	0.20	(0.17)	(0.05)	(1.21)		
	Financial leverage	0.92	0.94	0.96	0.99	0.99		

Note 1: The financial data of prior five year have been audited and verified by accountant.

Note 2: Checked and approved by accountants.

Note 3: Non-applicable because the correlation ratio is negative.

Note 4: Calculation formula of financial ratio can be seen below:



### **2.3.1 Financial structure**

**2.3.1.1** Debt Ratio=total debts/total assets.

**2.3.1.2** Ratio of long-term capital to property, plant and equipment =(total equity + non-current liabilities)/net value of real estate/factories/equipment.

### **2.3.2 Solvency**

**2.3.2.1** Current ratio =current assets/current liabilities.

**2.3.2.2** Quick ratio=(current assets-inventory-prepayments)/current liabilities.

**2.3.2.3** Interest earned ratio =net profits of income tax and interest expenses before tax/interests Expenses for current period.

### **2.3.3 Operating performance**

**2.3.3.1** Accounts receivable (including accounts receivable and notes receivable for business) turnover=net sales revenues/average accounts receivable balances for all periods (including accounts receivable and notes receivable for business).

**2.3.3.2** Average collection period =365/receivables turnover.

**2.3.3.3** Inventory turnover=goods sale costs/average inventory amount.

**2.3.3.4** Accounts payable (including accounts payable and notes payable for business)turnover=sales expenses/average accounts payable balances for all periods (including accounts payable and notes payable for business).

**2.3.3.5** Average days in sales =365/ inventory turnover.

**2.3.3.6** Real estate, factories and equipment turnovers=net sales revenues/net average revenues of real estate, factories and equipment.

**2.3.3.7** Total assets turnover=net sales revenues/total average assets.

### **2.3.4 Profitability**

**2.3.4.1** Return on total assets =[profit or loss after tax+ interest expends  $\times$ (1- tax ratio)]/total average assets.

**2.3.4.2** Return on stockholders' equity =profit or loss after tax/net average equity.

**2.3.4.3** Profit ratio=profit or loss after tax/net sales revenues.

**2.3.4.4** Earnings per share =(profit or loss attributable to parent company owners-dividends of common stocks)/weighted average number of shares issued. (Note 4)

### **2.3.5 Cash flow**

**2.3.5.1** Cash flow ratio=net cash flow for business activities/current liabilities.

**2.3.5.2** Cash flow adequacy ratio = net cash flow for business activities in recent five years/(capital expenses + cash dividends) in recent five years.

**2.3.5.3** Cash reinvestment ratio =(net cash flow for business activities-cash dividends)/(gross amount of real estate, factories and equipment + long-term investments + other non-current assets + operating capital).

### **2.3.6 Leverage**

**2.3.6.1** Operating leverage= (net operating revenues - changes in operating expenses and costs)/operating profits.

**2.3.6.2** Financial leverage =operating profits/(operating profits - interest expenses).

## **2.4 Causes of change in financial ratio**

### **2.4.1** Financial structure:

The debt ratio and ratios of long-term funds to real estate, factories and equipment fell down because of the constant inflow of net operating cash in 2015 as well as prepayments for medium and long-term bank loans.

### **2.4.2** Solvency:

The overall debt paying ability kept stable although the liquidity ratio and quick ratio show slight decline due to prepayments for part of medium and long-term bank loans in 2015.

### **2.4.3** Operating performance:

The closing receivables and inventories of 2015 reached NT\$ 154 million and NT\$ 171 million with 21% and 10% drop respectively compared with the year before. However, the overall management index was steady thanks to the constant inflow of net operating cash.

### **2.4.4** Profitability:

The profitability of 2015 dropped down compared with the prior year as a result of sluggish growth momentum of solar energy in first half year as well the decline of overall supply chain prices.

### **2.4.5** Cash flow:

The cash flow from net operating cash of 2015 increased compared with the year before which has led to rise of cash flow ratio and cash re-investment ratio in consequence of the declined of closing receivables of 2015 compared with 2014; while the sales prices show a gradual fall due to the market changes in solar industry in prior five years which has led to a decline of profitability and the accumulated net cash flow from business activities reduced at the same time which has finally caused a drop of cash flow adequacy ratio.

### **2.4.6** Leverage:

The degree of operating leverage of 2015 declined as a result of slow growth of solar energy in first half year and the fall of overall supply chain prices, which has ultimately caused the drop of profitability.

## **3. Audit committee reports for recent years**

Please refer to P115 of this Annual Report.

## **4. Financial Report of recent years**

Please refer to P116-P168 of this Annual Report.

**5. Financial Report verified by accountants in recent years**

None

**6. The impact to company financial condition if any financial turnover troubles within the company or subsidiary up to of the date of Annual Report republication**

We did not have related parties and there were no financial flow difficulties in the company, either in 2015 and a period as of the date of Annual Report publication.

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 1. Analysis of Financial Status

Comparison Statement of Financial Status

Unit: NT\$ thousands

Item \ Year	2015	2014	Difference	
			Amounts	%
Current assets	1,246,962	1,369,168	(122,206)	-9%
Investments at equity	0	0	0	0%
Fixed assets	3,241,820	3,602,486	(360,666)	-10%
Other assets	347,760	555,133	(207,373)	-37%
<b>Total assets</b>	<b>4,836,542</b>	<b>5,526,787</b>	<b>(690,245)</b>	<b>-12%</b>
Current liabilities	367,507	390,589	(23,082)	-6%
Long-term liabilities	58,325	123,750	(65,425)	-53%
Other liabilities	4,380	4,320	60	1%
<b>Total debts</b>	<b>430,212</b>	<b>518,659</b>	<b>(88,447)</b>	<b>-17%</b>
Capital stock	3,496,268	3,496,758	(490)	0%
Additional paid-in capital	1,513,900	2,050,412	(536,512)	-26%
Retained earnings	(603,838)	(537,100)	(66,738)	12%
Other equity	0	(1,942)	1,942	-100%
<b>Total equity</b>	<b>4,406,330</b>	<b>5,008,128</b>	<b>(601,798)</b>	<b>-12%</b>

Statement of changes in percentage increments and decrements:

- (1) Fixed assets: The book value of fixed assets declined as the depreciation made year by year.
- (2) Other assets: They dropped down mainly because of the decline of prepayments for machines and income tax prepaid for estimated deferred tax assets.
- (3) Long-term liabilities: The decline of long-term debt was a result of prepayments for part of medium and long-term bank loans.
- (4) Additional paid-in capital: The additional paid-in capital dropped down as a result of compensation made for off-setting the losses of 2014.
- (5) Retained earnings: The fall of retained earnings was mainly due to losses of 2015.

## 2. Financial performance

### 2.1 Comparison of financial performance

#### Comparison Statement of Financial Performance

Unit: NT\$ thousands

Items \ Years	2015	2014	Increments and decrements in amount	Variable ratio (%)
Operating revenues	1,575,121	1,853,771	(278,650)	-15%
Operating costs	(2,029,895)	(2,251,773)	221,878	-10%
Gross profits	(454,774)	(398,002)	(56,772)	14%
Operating expenses	(78,013)	(86,141)	8,128	-9%
Operating profit and loss	(532,787)	(484,143)	(48,644)	10%
Profit or loss before tax for current period	(524,851)	(479,564)	(45,287)	9%
Income tax (expenses) profits	(78,987)	(57,536)	(21,451)	37%
Profit or loss after tax for current period	(603,838)	(537,100)	(66,738)	12%

#### Statement of changes in percentage increments and decrements:

- (1) Operating revenues: The operating revenues of 2015 declined as a result of sluggish growth momentum of solar energy in first half year as well the decline of overall supply chain prices.
- (2) Operating expenses: The operating expenses of 2015 dropped as the constant reductions of raw materials and manufacturing expenses.
- (3) Gross profits: The gross profits of 2015 fell down compared with 2014 mainly because of the overall decline of supply chain prices of 2015.
- (4) Income tax (expenses) profits: Part of deferred tax assets will be transferred into income tax expenses of 2015 based on the result of estimated deferred tax assets.

### 2.2 Estimated sales volume and bases

Unit: thousand pieces

Product type	Estimated sales volume
Poly crystalline silicon solar wafer	67,997

The estimated sales volume of 2016 is based on the market demands and development trends, customer operating situations, estimated ordering as well as industrial status which based on the market demands and development tendency data announced by authorities.

### 2.3 The potential impacts on corporate future finance and corresponding measures

If the price falls and profitability declines that ultimately cause losses due to failing to grasp the industrial needs, we will improve the product competitiveness by controlling costs and expenses and improving product quality and productive efficiency to reduce the negative effects the market exerting on the finance and business.

## 3. Analysis of Cash Flow

### 3.1 Analysis of changes in cash flow of recent years

Items	Years			Percentages of increments and decrements
		2015	2014	
Cash flow ratio		24.78%	4.95%	400.61%
Cash flow adequacy ratio		3.35%	15.05%	-77.74%
Cash re-investment ratio		1.27%	0.27%	370.37%
<p>Cash flow ratio: The net cash flow from business activities of 2015 increased compared with 2014 mainly because of the drop of receivables and inventory amounts of 2015 compared with 2014.</p> <p>Cash flow adequacy ratio: The cash flow adequacy ratio fell down mainly due to less net operating cash flow as a consequence of industrial changes in solar market in last five years; decline of product sales price as well as lower profits.</p> <p>Cash re-investment ratio: The net cash flow from business activities of 2015 increased compared with 2014 mainly because of the drop of receivables and inventory amounts of 2015 compared with 2014.</p>				

### 3.2 Improvement policies for liquidity shortage: None.

### 3.3 Analysis of cash liquidity of coming year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Cash Outflow	Cash Surplus (Deficit)	Leverage of Cash Deficit	
				Investment Plans	Financing plans
903,026	420,862	(209,511)	1,114,377	—	—

Analysis of changes in cash flow:

(1) Analysis of cash liquidity of coming year

- a. Business activities: The cash inflow of business activities of 2016 is estimated to be NT\$ 420,862 thousand according to market demands and development trends, customer operating statuses, estimated ordering and overall expenses and costs.
- b. Investment activities: The relevant investment expenses of 2016 are estimated to be NT\$ 238,827 according to overall operating plans.
- c. Financing activities: The financing expenses of 2016 are expected to be NT\$ 29,316 according to overall operating plans.

(2) The remedial measures for estimated cash deficits and analysis of liquidity: None.

### 4. The impacts of major capital spending on business in recent fiscal years

4.1 Major capital spending in recent fiscal years: None.

4.2 The impacts on finance and business: None.

### 5. Re-investment policies, main reasons for profits and losses, improvement plans in recent years as well as investment plans of coming year

5.1 Re-investment policies, main reasons for profits and losses, improvement plans in recent years: None.

### 5.2 Investment plans of coming year

The Reinvestment of Biological Wafers and Systems Co. Case was passed by the Board of Directors on November 10<sup>th</sup>, 2015 which was yet to be put into effect as of the date of Annual Report publication.

## **6. Risks and assessments**

### **6.1 The impacts of interest rate, changes in exchange rate and inflation on corporate loss and profit and corresponding measures in the future**

#### **6.1.1 Changes in interest rates**

##### **6.1.1.1 The impacts on corporate loss and profit**

The interest expenses and revenues of 2015 were NT\$4,135 and NT\$6,075 thousand respectively and the ratios of them to net operating revenues were 0.26% and 0.39% respectively. The impacts the interest ratio changes exerting on the corporate loss and profit proved to be limited.

##### **6.1.1.2 Corresponding measures in the future**

We conduct regular assessment on bank loan interest rate and keep good relations with banks to gain preferential interest rates to reduce interest expenses.

#### **6.1.2 Changes in exchange rates**

##### **6.1.2.1 Impacts on corporate loss and profit**

The foreign exchange gains of 2015 reached NT\$ 4,459 thousand, which accounted for 0.29% of net operating profits and the impacts the interest rate changes exerting on the corporate loss and profit proved to be limited.

##### **6.1.2.2 Corresponding measures in the future**

The foreign currency was mainly applied when we proceed purchases and sales. In order to effectively reduce the effects the interest rate changes playing on operating revenues and profits, we continue to observe the overall economic impacts on interest rate to take necessary hedging measures apart from moderately reserving the foreign currency position of sales revenues to cover the foreign procurement spending and further realize the function of natural hedging. If the interest rates change remarkably, we will adjust the transaction values in a moderate manner to relieve the effects of the exchange rate fluctuation playing on the corporate revenues and profits.

#### **6.1.3 Inflation**

##### **6.1.3.1 Impacts on corporate loss and profit**

We have maintained good partnerships with suppliers and customers and paid attention to price fluctuation of raw materials in the market at any time, thus, the inflation has not yet played significant effects on corporate loss and profit.

##### **6.1.3.2 Corresponding measures in the future**

By now there are no immediate impacts of inflation on the company and in order to reduce the risks of inflation on corporate operation we have paid numerous attentions to the changes of raw material prices.

### **6.2 Main reasons of policies, profit or loss and corresponding measures for high-risk, high-leveraged investments, loans to others, endorsement and derivatives transactions.**



**6.2.1** The Company is dedicated to our own business without engaging in high-risk or high-leveraged investments.

**6.2.2** We were not involved in lending to others and proceeding endorsement and derivatives transactions in recent years. And if it's necessary for us to conduct above mentioned affairs because of business needs or risk hedging, we will handle with them according to corporate "Operational Procedures for Lending Loans to Others", "Operational Procedures for Endorsement", "Management Procedures for Assets Acquisition or Assets Disposal" and announce the relevant information correctly according to regulations.

### **6.3 Future R&D plans and estimated costs for these plans**

#### **6.3.1 Future R&D plans**

Planned projects	Description of contents
Improving the PV conversion efficiency of wafers	Reducing the deficiency rate arising from hardware variations by optimizing the manufacturing procedures of growth crystal and further improving the PV conversion efficiency of wafers.
Introducing automatic and high-efficiency machines	Improving the stability of yields and reducing the reliance on the manpower by introducing different types of automatic and high-efficiency machines.
Enhancing the quality and reliability of growth crystal	Enhancing the quality and reducing the deficiency rate of growth crystal and further improving the quality and reliability by assessing and introducing the new materials and optimizing the manufacturing procedures.
Promoting the output of slicer in per unit time	Reducing the application of cutting fluid material and then shortening manufacturing hours to cut down costs, promote output and reach the goals of energy saving and carbon reductions by introducing and assessing new materials.

#### **6.3.2 Estimated R&D expenses**

The R&D ability is a key competitive factor for company in the future, the R&D costs in 2014 and 2015 were accounting for 1.09% and 1.11% of operating revenues respectively. And we are consistently focusing on the missions as a technical enterprise and going to invest certain amount of costs for developing new products, cultivating R&D talents, continually improving product competitiveness. The R&D expenses of 2016 are estimated to be NT\$ 20,545 thousand.

### **6.4 The impacts of important policies and legal transference at home and abroad exerting on corporate finance and business as well as corresponding measures**

The industry we specializing in is green energy industry with low pollution which is encouraged by most countries without being restricted by special laws and decrees but supported by incentive

policies which is contributing to the prosperity of this industry.

Apart from abiding by the relevant domestic laws and regulations we also pay attention to the significant policies and legal transference at home and abroad. As of the date of Annual Report publication, there were no other policies and legal transference that are having significant effects on corporate finance and business except adjustments for solar energy subsidy policy and the Solar Energy Trade Protection Policy disputes between Mainland China and US and European countries.

#### **6.5 The impacts of the technical and industrial changes having on corporate finance and business and corresponding measures**

We are paying attention to relevant industrial trends regarding technical development and changes at any time and appointing professional personnel or project teams to research industrial technologies that will exert significant impacts on corporate future development, finance and business as well as propose necessary corresponding measures. There were no significant technical changes having considerable effects on corporate finance and business in recent years and a period as of the date of Annual Report publication.

#### **6.6 The impacts of the corporate image changes exerting on the corporate crises management and corresponding measures**

Since foundation, we have been adhering to the principle of credit management and focusing on corporate images, therefore we never ran into corporate crisis management due to corporate image changes.

#### **6.7 Estimated profits, risks of mergers and acquisitions and corresponding measures**

We didn't have any plans of mergers and acquisitions in recent years and a period as of the date of Annual Report publication. If there are mergers and acquisitions in the future we will take a careful attitude and take comprehensive effectiveness of mergers and acquisitions into consideration when assessing them to ensure the shareholders' equity.

#### **6.8 Expanding the estimated benefits of factories, potential risks and corresponding measures**

The corporate production capacity of poly crystalline silicon wafers is about 330MW so far which belongs to small sized compared with domestic giant companies. We started the construction of three plants in 2011 in order to reach the economic size and meet the ordering needs of downstream customers, by now the goal of total production capacity has been raised to 550MW and we have realized the strategy of reducing unit production costs and scattering customer sources by expanding the production capacity. We decided to slow down the pace of equipment installation in new factory, take active part in adjusting operating structure, strengthening management and improving effectiveness as well adjusting the schedule of three plants' being put into use after taking into current market status and possible changes into consideration.

#### **6.9 Risks of purchases and sales centralization and the corresponding measures**

As for goods purchasing, the Purchasing Department within the company has purchased silicon from major giant companies since 2009. In addition, the silicon are oversupplied in the market now

therefore, we are rid of the silicon centralization risks and predicament of being hard to buy the silicon. Furthermore, we have signed long-term supply contracts with Korean manufacture OCI in March 2011 making sure the sound supply of main materials to satisfy the manufacturing needs. Those customers with 5% net operating revenues accounted for 88.27% of total operating revenues of 2015 which was made up of five major customers, among them the largest customer share was approaching 23.5%. The total revenues from top 10 customers made up 98.03% of total revenues in 2015, among them the individual revenues occupied between 0.59% and 23.50% of total operating revenues. The current priority is to meet the ordering demands of major customers due to relatively small production size compared with those companies within the same industry and downstream solar cell manufacturers. The customers stay relatively stable thanks to our active measures taken to develop new customers and in consequence that the major goods sale customers are all well-known solar cell companies at home and abroad. Thus, we are going to continue to expand business and develop new customers to effectively reduce the risks of sales centralization.

**6.10 The impacts, risks of large equity transfer and exchange of chairman, supervisors or major shareholders with more than 10% shares exerting on the company and corresponding measures**

There are no such matters in recent years and a period as of the date of Annual Report publication.

**6.11 The impacts of management right changes exerting on the company, risks and corresponding measures**

The managers are dedicated to the management of the company and the employees of the company are identifying with the corporate developing directions and willing to hold company's shares and grow with the company. Thus, there were no large equity transfer and exchange that would lead to management rights and further exert negative effects on the company and increase the risks.

**6.12 In terms of lawsuits or non-lawsuit affairs and administrative litigation sentenced and determined or yet to be judged by corporate directors, supervisors, general manager, de facto responsible person, major shareholders with more than 10% shares and affiliated companies shall be clearly stated. And for those lawsuits or non-lawsuit affairs and administrative litigation which may exert significant effects on shareholders' equity or securities' price, the contentious facts, amount of subjects, starting date of litigation, the main parties involved as of the date of Annual Report publication shall be disclosed**

None.

**6.13 Other material risks and corresponding measures**

None.

**7. Other important matters**

**7.1 Depreciation methods and life span for real estate, plants and equipment**

**7.1.1** Real estate, plants and equipment shall be recorded on the basis of the actual cost of acquisition and the related interests during the period of construction shall be capitalized.

- 7.1.2** The subsequent costs can only be included in the carrying amount of assets or as a separated asset when the future economic outcomes related to the item are likely to flow into the company and the costs can be measured reliably. The carrying amount reset shall be excluded. And all other maintenance expenses occurred will be recognized as current profits and losses.
- 7.1.3** The follow-up measurement of real estate, plants and equipment is based on cost model. Except the land without being made depreciation, all the rest are made depreciation based on durability according to straight-line depreciation method. The real estate, plants and equipment shall be made depreciation separately if the compositions of them are major.
- 7.1.4** The company would inspect the residual values, durable years and depreciation methods of all kinds of assets on the closing date of fiscal year. If the expected values of residual values and durable years are different from what we estimated before or the expected consumption patterns of future economic outcomes of assets have changed considerably, we would handle with these matters according to No. 8 “Accounting Policies, Changes in Accounting Estimates and Errors” of International Accounting Standards since the date changes occurred.
- The durable years of all kinds of assets can be seen below:

Buildings	11 years ~ 36 years
Machinery equipment	4 years ~ 11 years
Office facilities	4 years ~ 6 years
Transportation facilities	4 years ~ 6 years
Leasing assets	7 years
Miscellaneous assets	6 years ~ 8 years

## **7.2 Evaluation bases of provision methods of assets and liabilities evaluation subjects**

### **7.2.1 Bad debt**

The bad debt provisions of the company are based on the ages of closing notes receivable and accounts receivable and the analysis of recover possibilities and according to the Regulations on the Bad Debt Provisions. The provision rates can be seen below:

Ages overdue	Bad debt ratio
Non-overdue	0.5%
1 to 30 days	0.5%
31 to 90 days	20%
91 to 180 days	50%
181 to 270 days	80%
271 to 365 days	90%
More than 366 days	100%

### **7.2.2 Allowance for inventory valuation losses**

The inventories are including raw materials, supplies, work in process, semi-finished products and finished products whose inventories costs are calculated according to weighted average method and based on the lower one between costs and net realized values. The rest except the same kinds of inventories are applied with item-by-item method. Net realized values refer to the balance between estimated selling price under normal operations and the costs need to be invested into as of the completion date and relevant selling expenses. Besides, the bad debts possibilities of the inventories are based on its closing ages, which will be included as losses of allowance for uncollectible inventories. More specifically, the closing inventories without changes between 6 and 12 months, 13 and 18 months, 19 and 24 months and more than 25 months will be included as 25%, 50%, 75% and 100% losses of allowance for uncollectible inventories respectively.

## **VIII. Special Disclosure**

### **1. Relevant information about related enterprises**

**1.1 There are no related enterprises in the company.**

### **1.2 Consolidated Financial Statement of related enterprises and reports of related enterprises**

None.

### **2. Information of private-offered shares in recent years and up to the date of Annual Report publication**

None.

### **3. Shares of the company held or disposed by the subsidiaries**

None.

### **4. Other necessary supplementary disclosure**

None.

### **5. Significant impacts to shareholder equity and security price which according to Provision 2 Item 2 Article 36 of Securities and Exchange Act in recent years and up to the date of Annual Report publication**

None.

## **Audit Committee's Review Report**

To 2016 Regular Meeting of Shareholders:

The 2015 Business Report, Financial Report and Proposal for Deficit Compensation prepared by the Board of Directors, of which Financial Report was audited by accountants, Li Xiu Ling and Zhi Bing Jun of PricewaterhouseCoopers Taiwan and issue a review report. Also Business Report, Financial Report and Proposal for Deficit Compensation above have been examined by the Audit Committee, who prepared the report in accordance with the Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and submit it for reference.

Sincerely,

The convener of the Audit Committee

Tsai Wen-Ching

Date: February 24, 2016

**DANEN TECHNOLOGY CORPORATION**  
**FINANCIAL STATEMENTS AND REPORT OF**  
**INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2015 AND 2014**

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



## REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of Danen Technology Corporation

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Danen Technology Corporation as of December 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in conformity with the "Rules Governing the Preparations of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan  
February 24, 2016

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**DANEN TECHNOLOGY CORPORATION**  
**BALANCE SHEETS**  
**DECEMBER 31**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	2015		2014		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 903,026	19	\$ 954,300	17
1150	Notes receivable, net		13,247	-	-	-
1170	Accounts receivable, net	6(2)	140,619	3	194,519	4
1200	Other receivables		5,712	-	9,230	-
1220	Current tax assets		1,047	-	926	-
130X	Inventories, net	6(3)	170,795	4	191,454	4
1410	Prepayments		12,515	-	18,449	-
1479	Other current assets – others		1	-	290	-
11XX	<b>Total current assets</b>		<u>1,246,962</u>	<u>26</u>	<u>1,369,168</u>	<u>25</u>
<b>Non-current assets</b>						
1550	Investments accounted for using equity method	6(4)	-	-	-	-
1600	Property, plant and equipment, net	6(5) and 8	3,241,820	67	3,602,486	65
1840	Deferred tax assets	6(23)	209,735	4	289,076	5
1980	Other financial assets - non-current	8	11,381	-	11,021	-
1990	Other non-current assets - others	6(6)	126,644	3	255,036	5
15XX	<b>Total non-current assets</b>		<u>3,589,580</u>	<u>74</u>	<u>4,157,619</u>	<u>75</u>
1XXX	<b>Total assets</b>		<u>\$ 4,836,542</u>	<u>100</u>	<u>\$ 5,526,787</u>	<u>100</u>

(Continued)

**DANEN TECHNOLOGY CORPORATION**  
**BALANCE SHEETS**  
**DECEMBER 31**  
(Expressed in thousands of New Taiwan dollars)

Liability and Shareholders' Equity	Notes	2015		2014	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
2170	Accounts payable	\$ 192,599	4	\$ 194,173	3
2200	Other payables	98,113	2	104,911	2
2320	Long-term liabilities, current portion	75,008	2	90,000	2
2399	Other current liabilities – others	1,787	-	1,505	-
21XX	<b>Total current liabilities</b>	<u>367,507</u>	<u>8</u>	<u>390,589</u>	<u>7</u>
<b>Non-current liabilities</b>					
2540	Long-term borrowings	58,325	1	123,750	2
2570	Deferred tax liabilities	-	-	355	-
2670	Other non-current liabilities - others	4,380	-	3,965	-
25XX	<b>Total non-current liabilities</b>	<u>62,705</u>	<u>1</u>	<u>128,070</u>	<u>2</u>
2XXX	<b>Total liabilities</b>	<u>430,212</u>	<u>9</u>	<u>518,659</u>	<u>9</u>
<b>Share capital</b>					
3110	Common stock	3,496,268	72	3,496,758	63
<b>Capital surplus</b>					
3200	Capital surplus	1,513,900	31	2,050,412	37
<b>Retained earnings</b>					
3350	Accumulated deficit	( 603,838)	( 12)	( 537,100)	( 9)
<b>Other equity</b>					
3400	Other equity interest	-	-	( 1,942)	-
3XXX	<b>Total equity</b>	<u>4,406,330</u>	<u>91</u>	<u>5,008,128</u>	<u>91</u>
<b>Significant commitments and contingent events</b>					
3X2X	<b>Total liabilities and shareholders' equity</b>	<u>\$ 4,836,542</u>	<u>100</u>	<u>\$ 5,526,787</u>	<u>100</u>

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

**DANEN TECHNOLOGY CORPORATION**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31**

(Expressed in thousands of New Taiwan dollars, except loss per share amounts)

Items	Notes	2015		2014	
		AMOUNT	%	AMOUNT	%
4000 <b>Operating revenue</b>	6(17)	\$ 1,575,121	100	\$ 1,853,771	100
5000 <b>Operating costs</b>	6(3)(21)(22)	( 2,029,895)	( 129)	( 2,251,773)	( 121)
5900 <b>Gross loss from operations</b>		( 454,774)	( 29)	( 398,002)	( 21)
5950 <b>Gross loss from operations, net</b>		( 454,774)	( 29)	( 398,002)	( 21)
<b>Operating expenses</b>	6(21)(22)				
6100 Selling expenses		( 4,447)	-	( 2,850)	-
6200 General and administrative expenses		( 56,006)	( 4)	( 63,151)	( 4)
6300 Research and development expenses		( 17,560)	( 1)	( 20,140)	( 1)
6000 <b>Total operating expenses</b>		( 78,013)	( 5)	( 86,141)	( 5)
6900 <b>Operating loss</b>		( 532,787)	( 34)	( 484,143)	( 26)
<b>Non-operating income and expenses</b>					
7010 Other income	6(18)	10,300	1	8,148	-
7020 Other gains and losses	6(19)	2,032	-	29,242	2
7050 Finance costs	6(20)	( 4,396)	-	( 23,425)	( 1)
7060 Share of loss of associates and joint ventures accounted for using equity method		-	-	( 9,386)	( 1)
7000 <b>Total non-operating income and expenses</b>		7,936	1	4,579	-
7900 <b>Loss before income tax</b>		( 524,851)	( 33)	( 479,564)	( 26)
7950 Income tax expense	6(23)	( 78,987)	( 5)	( 57,536)	( 3)
8000 <b>Loss from continuing operations</b>		( 603,838)	( 38)	( 537,100)	( 29)
8200 <b>Loss for the period</b>		( \$ 603,838)	( 38)	( \$ 537,100)	( 29)
8500 <b>Total comprehensive loss</b>		( \$ 603,838)	( 38)	( \$ 537,100)	( 29)
9750 <b>Basic loss per share</b>	6(24)	( \$ 1.73)		( \$ 1.55)	
9850 <b>Diluted loss per share</b>	6(24)	( \$ 1.73)		( \$ 1.55)	

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

**DANEN TECHNOLOGY CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves				Other equity interest			Total equity
		Common stock	Additional paid-in capital	Changes in equity of associates and joint ventures accounted for using equity method	Restricted employee shares	Accumulated deficit	Exchange differences on translation of foreign financial statements	Others	
<b>Year ended December 31, 2014</b>									
Balance at January 1, 2014		\$ 2,648,233	\$ 2,210,065	\$ 42,358	\$ 1,382	(\$ 624,731)	(\$ 412)	(\$ 8,550)	\$ 4,268,345
Issuance of shares	6(13)	850,000	464,100	-	-	-	-	-	1,314,100
Cash capital increase reserved for employee preemption	6(11)	-	231	-	-	-	-	-	231
Capital surplus used to offset accumulated deficits	6(15)	-	( 624,731)	-	-	624,731	-	-	-
Restricted employee shares	6(16)	( 1,475)	428	-	( 1,063)	-	-	6,608	4,498
Changes in equity of associates and joint ventures accounted for using equity method	6(14)	-	-	16,988	-	-	-	-	16,988
Loss for the year	6(15)	-	-	-	-	( 537,100)	-	-	( 537,100)
Disposal of investments accounted for using equity method		-	-	( 59,346)	-	-	412	-	( 58,934)
Balance at December 31, 2014		<u>\$ 3,496,758</u>	<u>\$ 2,050,093</u>	<u>\$ -</u>	<u>\$ 319</u>	<u>(\$ 537,100)</u>	<u>\$ -</u>	<u>(\$ 1,942)</u>	<u>\$ 5,008,128</u>
<b>Year ended December 31, 2015</b>									
Balance at January 1, 2015		\$ 3,496,758	\$ 2,050,093	\$ -	\$ 319	(\$ 537,100)	\$ -	(\$ 1,942)	\$ 5,008,128
Capital surplus used to offset accumulated deficits	6(15)	-	( 537,100)	-	-	537,100	-	-	-
Restricted employee shares	6(16)	( 490)	907	-	( 319)	-	-	1,942	2,040
Loss for the year	6(15)	-	-	-	-	( 603,838)	-	-	( 603,838)
Balance at December 31, 2015		<u>\$ 3,496,268</u>	<u>\$ 1,513,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 603,838)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,406,330</u>

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

**DANEN TECHNOLOGY CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31**  
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax for the year		(\$ 524,851 )	(\$ 479,564 )
Adjustments to reconcile loss before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation expense	6(21)	533,797	537,007
Amortisation expense		3,958	5,295
Provision for bad debt expense	6(2)	184	99
Share of loss of associates accounted for using equity method		-	9,386
Gain on disposal of property, plant and equipment		-	( 127 )
Gain on disposal of investments		-	( 63,302 )
Amortisation on handling fee of long-term borrowings		-	3,894
Interest expense	6(20)	4,135	19,208
Interest revenue	6(18)	( 6,075 )	( 4,823 )
Compensation cost of share-based payments	6(11)	2,040	4,729
Prepayments for business facilities transferred to other losses		-	41,724
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Notes receivable, net		( 13,314 )	-
Accounts receivable, net		53,782	( 63,555 )
Other receivables		4,020	250
Inventories		20,659	( 76,260 )
Prepayments		5,934	22,319
Other current assets		289	1,237
Other non-current assets		2,983	( 8,872 )
Net changes in liabilities relating to operating activities			
Accounts payable		( 1,574 )	80,946
Other payables		3,263	6,664
Other current liabilities		282	50
Cash generated from operations		89,512	36,305
Cash received as interest		6,056	4,430
Interest paid		( 3,905 )	( 20,967 )
Income tax paid		( 604 )	( 442 )
Net cash provided by operating activities		91,059	19,326
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of investments accounted for using equity method		-	276,171
Acquisition of property, plant and equipment		( 61,555 )	( 29,319 )
Proceeds from disposal of property, plant equipment		-	195
Increase in prepayments for business facilities		-	( 20,995 )
Increase in other financial assets		( 360 )	-
Increase in refundable deposits		( 31 )	-
Decrease in refundable deposits		-	130
Net cash (used in) provided by investing activities		( 61,946 )	226,182
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in short-term borrowings		-	( 219,992 )
Proceeds from long-term debt		200,000	370,000
Repayments of long-term debt		( 280,417 )	( 1,250,525 )
Increase in guarantee deposits received		30	-
Decrease in guarantee deposits received		-	( 155 )
Decrease in lease payable		-	( 69,117 )
Capital increase by cash	6(13)	-	1,314,100
Net cash (used in) provided by financing activities		( 80,387 )	144,311
(Decrease) increase in cash and cash equivalents		( 51,274 )	389,819
Cash and cash equivalents at beginning of year		954,300	564,481
Cash and cash equivalents at end of year		\$ 903,026	\$ 954,300

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

DANEN TECHNOLOGY CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Danen Technology Corporation (the “Company”) started preparing for establishment from October 1, 2007 and was approved to establish on November 9, 2007. The Company is primarily engaged in manufacturing and processing of solar-energy related products. Starting from July 20, 2010, the Company’s stocks are officially listed on the Taiwan Stock Exchange.

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

These financial statements were authorized for issuance by the Board of Directors on February 24, 2016.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’ as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as the “2013 version of IFRS”) in preparing the financial statements. The impact of adopting the 2013 version of IFRS is listed below:

IAS 1, ‘Presentation of financial statements’

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

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Company is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").



(2) Basis of preparation

- A. The financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment which the Company operates (the "functional currency"). The financial statements are presented in New Taiwan dollars, which is the Company's functional and presentation currency.

Foreign currency transactions and balances

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

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be paid off within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Impairment of financial assets

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

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

- (a) Significant financial difficulty of the issuer or debtor;
- (b) A breach of contract, such as a default or delinquency in interest or principal payments;
- (c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) The disappearance of an active market for that financial asset because of financial difficulties;
- (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

Financial assets measured at amortised cost

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

recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account

(8) Inventories

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

(9) Investments accounted for using equity method - associates

- A. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- E. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- G. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(10) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	11 ~ 36 years
Machinery and equipment	4 ~ 11 years
Office equipment	4 ~ 6 years
Transportation equipment	4 ~ 6 years
Leased assets	7 years
Other assets	6 ~ 8 years

(11) Leased assets/leases (lessee)

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Company assumes substantially all the risks and rewards incidental to ownership of the leased asset.
  - (a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.
  - (b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
  - (c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives.
- B. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(12) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more

than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(13) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(14) Accounts and notes payable

Accounts and notes payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(15) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(16) Employee benefits

A. Short-term employee benefits

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

B. Pensions

The Company's pension policy is a defined contribution plan which the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated.

(17) Employee share-based payment

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

B. Restricted employee shares:

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

- (b) Restricted employee shares shall be directly kept in a trust enterprise as the stocks are issued. Dividends distributed by restricted stocks that have not reached the vesting period are also kept at the trust.
- (c) For rights that are not restricted from receiving dividends, employees must return the received dividends to the Company if they resign during the vesting period. The Company disposes stock dividends and compensates the taxable loss to employees, and the remaining profit is not required to return to the Company. When the Company receives dividends from employees, the Company credits related retained earnings, legal reserve or capital surplus amounts that were previously debited at the date of dividends declared.
- (d) For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting period, the Company will redeem at no consideration and retire those stocks.

(18) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(19) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(20) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(21) Revenue recognition

A. Sales of goods

The Company manufactures and sells solar energy silicon wafer related products. Revenue is measured at the fair value of the consideration received or receivable taking into account of returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods should be recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Sales of services

The Company provides manufacturing and processing services for silicon wafer. Revenues are recognised based on the stage of completion of the service when all the following criteria below are met, and the cost shall be recognised as incurred. Losses are immediately recognised if they are anticipated to incur:

(a) Revenue can be measured reliably;

(b) It is probable that the economic benefits associated with the transaction will flow to the entity;

(c) The costs incurred and to be incurred associated with transaction can be measured reliably;

(d) The degree of completion of the transaction can be measured reliably at the balance sheet date.

(22) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

A. Financial assets—impairment of equity investments

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

B. Revenue recognition on a net/gross basis

The determination of whether the Company is acting as principal or agent in a transaction is based on an evaluation of Company's exposure to the significant risks and rewards associated with the sale of goods or the rendering of service in accordance with the business model and substance of the transaction. Where the Company acts as a principal, the amount of received or receivable from customer is recognised as revenue on a gross basis. Where the Company acts as an agent, net revenue is recognised representing processing service income.

The following characteristics of a principal are used as indicators to determine whether the Company shall recognise revenue on a gross basis:

- (a) The Company has primary responsibilities for the goods or services it provides;
- (b) The Company bears inventory risk;
- (c) The Company has the latitude in establishing prices for the goods or services, either directly or indirectly.
- (d) The Company bears credit risk of customers

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible assets

The Company assesses impairment based on its subjective judgement and determines the recoverable amount of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

As of December 31, 2015, the Company recognised carrying amount of property, plant and equipment amounting to \$3,241,820.

B. Realisability of deferred tax assets

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

As of December 31, 2015, the Company recognised deferred tax assets amounting to \$209,735.

C. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.



As of December 31, 2015, the carrying amount of inventories was \$170,795.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash on hand	\$ 101	\$ 80
Demand deposits	302,925	354,220
Time deposits	600,000	600,000
	<u>\$ 903,026</u>	<u>\$ 954,300</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Accounts receivable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Accounts receivable	\$ 141,247	\$ 195,029
Less: allowance for bad debts	( 628)	( 510)
	<u>\$ 140,619</u>	<u>\$ 194,519</u>

A. The ageing analysis of total accounts receivable is as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Not past due nor impaired	\$ 127,751	\$ 195,029
Past due up to 30 days but not impaired		
(Note)	13,496	-
	<u>\$ 141,247</u>	<u>\$ 195,029</u>

The above ageing analysis was based on invoice date.

Note: As of February 24, 2016, the Company has collected all the past due accounts receivable.

B. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Payment terms within three months	\$ 127,751	\$ 195,029

C. Movement analysis of financial assets that were impaired is as follows:

(a) As of December 31, 2015 and 2014, the Company has no accounts receivable that were impaired.

(b) Movements on the Company provision for impairment of accounts receivable are as follows:

	<u>2015</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
At January 1	\$ -	\$ 510	\$ 510
Provision for impairment loss	-	118	118
At December 31	<u>\$ -</u>	<u>\$ 628</u>	<u>\$ 628</u>

	2014		
	Individual provision	Group provision	Total
At January 1	\$ -	\$ 411	\$ 411
Provision for impairment loss	-	99	99
At December 31	\$ -	\$ 510	\$ 510

D. The Company does not hold any collateral as security.

(3) Inventories

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 74,526	(\$ 10,560)	\$ 63,966
Supplies	27,942	( 5,871)	22,071
Work in process	54,401	( 3,097)	51,304
Finished goods	35,949	( 2,495)	33,454
	<u>\$ 192,818</u>	<u>(\$ 22,023)</u>	<u>\$ 170,795</u>
	December 31, 2014		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 82,530	(\$ 8,647)	\$ 73,883
Supplies	22,948	( 6,463)	16,485
Work in process	74,166	( 10,393)	63,773
Finished goods	39,595	( 2,282)	37,313
	<u>\$ 219,239</u>	<u>(\$ 27,785)</u>	<u>\$ 191,454</u>

For the years ended December 31, 2015 and 2014, details of related profit or loss recognised for inventories that are included in operating costs are as follows:

	Years ended December 31,	
	2015	2014
Cost of goods sold	\$ 1,801,089	\$ 2,061,465
Revenue from sale of scraps	( 2,976)	( 3,606)
Gain on reversal of decline in market value	( 5,762)	-
Loss on decline in market value	-	2,939
Unallocated manufacturing expenses	237,544	190,965
Loss on scrapping inventory	-	10
	<u>\$ 2,029,895</u>	<u>\$ 2,251,773</u>

Note: The gain on reversal of decline in market value was caused by the market price recovery and the disposal of inventory previously written down.

(4) Investments accounted for using equity method

A. To strengthen and stabilize the long-term development of silicon wafer, the Company has participated in the capital increase of General Energy Solutions Inc. (formerly known as Sunny Optronics Corporation), and invested \$99,000 in exchange of 23.57% of shares of General Energy Solutions Inc. on March 20, 2012. The investee is primarily engaged in production and sales of solar-energy modules, as well as construction of solar power plants.

- B. General Energy Solutions Inc. has increased capital by issuing 13,333,500 shares with par value of \$15 on May 30, 2012. The Company acquired 6,585,893 shares using \$98,788. After the acquisition, the shareholding ratio was increased from 23.57% to 29.79%.
- C. General Energy Solutions Inc. has increased capital by issuing 30,000,000 shares with par value of \$15 on March 8, 2013. The Company acquired 3,300,000 shares using \$49,500. After the acquisition, the shareholding ratio was decreased from 29.79% to 23.19%.
- D. General Energy Solutions Inc. has increased capital by issuing 23,200,000 shares with par value of \$15 on December 6, 2013. The Company did not participate in the capital increase and the shareholding ratio was decreased from 23.19% to 18.23%.
- E. General Energy Solutions Inc. has increased capital by issuing 38,666,660 shares with par value of \$15 on April 28, 2014. The Company did not participate in the capital increase and the shareholding ratio was decreased from 18.23% to 13.44%. The Company holds less than 20% of the voting right, nonetheless, the Company maintains significant influence over General Energy Solutions Inc. as the Company holds 2 seats in the Board of Directors.
- F. As the Company believes that the operational plans and original investment objectives were met, it sold all its shares of 19,785,893 shares in General Energy Solutions Inc. at a price of NT\$14 per share, for a total amount of \$277,003 in December 2014.

(5) Property, plant and equipment

	<u>Buildings</u>	<u>Machinery equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Leasehold assets</u>	<u>Construction in progress and equipment to be inspected</u>	<u>Total</u>
At January 1, 2015							
Cost	\$ 1,766,554	\$ 3,831,724	\$ 13,688	\$ 51,540	\$ -	\$ 93,307	\$ 5,756,813
Accumulated depreciation and impairment	( 353,206)	( 1,745,229)	( 13,360)	( 42,532)	-	-	( 2,154,327)
	<u>\$ 1,413,348</u>	<u>\$ 2,086,495</u>	<u>\$ 328</u>	<u>\$ 9,008</u>	<u>\$ -</u>	<u>\$ 93,307</u>	<u>\$ 3,602,486</u>
<u>2015</u>							
Opening net book amount as at January 1	\$ 1,413,348	\$ 2,086,495	\$ 328	\$ 9,008	\$ -	\$ 93,307	\$ 3,602,486
Additions	865	45,960	143	185	-	4,496	51,649
Disposals	-	-	-	-	-	-	-
Reclassifications	6,229	158,838	-	-	-	( 43,585)	121,482
Depreciation charge	( 98,150)	( 430,527)	( 228)	( 4,892)	-	-	( 533,797)
Closing net book amount as at December 31	<u>\$ 1,322,292</u>	<u>\$ 1,860,766</u>	<u>\$ 243</u>	<u>\$ 4,301</u>	<u>\$ -</u>	<u>\$ 54,218</u>	<u>\$ 3,241,820</u>
At December 31, 2015							
Cost	\$ 1,773,648	\$ 4,036,522	\$ 13,831	\$ 51,652	\$ -	\$ 54,218	\$ 5,929,871
Accumulated depreciation and impairment	( 451,356)	( 2,175,756)	( 13,588)	( 47,351)	-	-	( 2,688,051)
	<u>\$ 1,322,292</u>	<u>\$ 1,860,766</u>	<u>\$ 243</u>	<u>\$ 4,301</u>	<u>\$ -</u>	<u>\$ 54,218</u>	<u>\$ 3,241,820</u>

	Buildings	Machinery equipment	Office equipment	Others	Leasehold assets	Construction in progress and equipment to be inspected	Total
At January 1, 2014							
Cost	\$ 1,721,157	\$ 3,569,343	\$ 14,138	\$ 52,659	\$ 84,664	\$ 137,315	\$ 5,579,276
Accumulated depreciation and impairment	( 255,519)	( 1,309,954)	( 12,725)	( 35,035)	( 5,721)	-	( 1,618,954)
	<u>\$ 1,465,638</u>	<u>\$ 2,259,389</u>	<u>\$ 1,413</u>	<u>\$ 17,624</u>	<u>\$ 78,943</u>	<u>\$ 137,315</u>	<u>\$ 3,960,322</u>
<u>2014</u>							
Opening net book amount as at January 1	\$ 1,465,638	\$ 2,259,389	\$ 1,413	\$ 17,624	\$ 78,943	\$ 137,315	\$ 3,960,322
Additions	1,783	2,075	-	135	-	362	4,355
Disposals	-	-	-	( 68)	-	-	( 68)
Reclassifications	43,613	254,584	-	-	( 78,943)	( 44,370)	174,884
Depreciation charge	( 97,686)	( 429,553)	( 1,085)	( 8,683)	-	-	( 537,007)
Closing net book amount as at December 31	<u>\$ 1,413,348</u>	<u>\$ 2,086,495</u>	<u>\$ 328</u>	<u>\$ 9,008</u>	<u>\$ -</u>	<u>\$ 93,307</u>	<u>\$ 3,602,486</u>
At December 31, 2014							
Cost	\$ 1,766,554	\$ 3,831,724	\$ 13,688	\$ 51,540	\$ -	\$ 93,307	\$ 5,756,813
Accumulated depreciation and impairment	( 353,206)	( 1,745,229)	( 13,360)	( 42,532)	-	-	( 2,154,327)
	<u>\$ 1,413,348</u>	<u>\$ 2,086,495</u>	<u>\$ 328</u>	<u>\$ 9,008</u>	<u>\$ -</u>	<u>\$ 93,307</u>	<u>\$ 3,602,486</u>

A. The significant components of buildings include main plants and facility, which are depreciated over 36 and 11 years, respectively.

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

(6) Other non-current assets

	December 31, 2015	December 31, 2014
Prepayments for business facilities	\$ 10,460	\$ 131,943
Prepayments for material purchase	106,902	110,976
Others	9,282	12,117
	<u>\$ 126,644</u>	<u>\$ 255,036</u>

(7) Other payables

	December 31, 2015	December 31, 2014
Accrued expenses		
Wages and salaries payable	\$ 13,211	\$ 13,373
Accrued utilities expenses	14,974	15,617
Bonus payable	15,649	13,704
Others	31,789	29,821
	<u>75,623</u>	<u>72,515</u>
Payable on machinery and equipment	22,490	32,396
	<u>\$ 98,113</u>	<u>\$ 104,911</u>

(8) Long-term borrowings

<u>Type of borrowings</u>	<u>Interest rate range</u>	<u>Maturity date</u>	<u>December 31, 2015</u>	
Unsecured borrowings	1.80%~1.85%	2017	\$	89,583
Secured borrowings	1.81%	2017		43,750
				133,333
Less: current portion			(	75,008)
			\$	<u>58,325</u>

<u>Type of borrowings</u>	<u>Interest rate range</u>	<u>Maturity date</u>	<u>December 31, 2014</u>	
Unsecured borrowings	2.55%	2016	\$	50,000
Secured borrowings	2.00%~2.45%	2017		163,750
				213,750
Less: current portion			(	90,000)
			\$	<u>123,750</u>

A. On September 17, 2013, the Company has entered into a syndicated contract of a credit line of \$922,400 with 11 financial institutions including CTBC as the management bank and Mega Bank, First Commercial Bank, E.SUN Commercial Bank, Agricultural Bank of Taiwan, Taiwan Cooperative Bank, Land Bank of Taiwan, Taiwan Business Bank, Chang Hwa Bank, Bank of Taiwan and Hua Nan Commercial Bank, in order to repay borrowings to the financial institutions. On October 11, 2013, the Company has applied for drawing the amount of \$922,400. Related contract information is summarized as below:

(a) Credit line of the syndicated loans: NT\$922,400.

(b) Loan period: 3 years from the first drawing date (October 11, 2013).

(c) Repayments: The Company shall repay the unpaid principal in 12 installments, starting from 3 months after the first drawing date, and repay the remaining installments every 3 months. For each installment, the Company shall repay 8.75% of the unused principal for the 1<sup>st</sup> installment to the 11<sup>th</sup> installment and repay 3.75% of the unused principal in the 12<sup>th</sup> installment.

(d) Collateral: Land surface rights, plant and machinery equipment. Please refer to Note 8.

(e) Covenants:

The financial ratios stated in the Company's semi-annual reviewed financial statements and annual audited financial statements shall comply with the following requirements:

A. Current ratio (current assets/current liabilities): At least 100%.

B. Liability ratio (total liabilities/tangible net equity): Less than 90%.

C. Interest coverage ratio ((income before tax + depreciation + amortisation + interest expense) / interest expense): At least 500%.

D. Tangible net equity (net equity, net of intangible assets): At least NT\$4,200,000.

E. Except for the interest coverage ratio was assessed when the Company offered the financial statements of the second quarter in 2014, other ratios and standard were assessed when the Company offered the financial statements as of and for the year ended December 31, 2013.

If any of the financial covenants above had been violated, the Company shall improve by increasing capital or other methods before the next assessment of financial ratios (referred herein as the 'improvement period'). During the improvement period, the difference will not be considered as a violation. A continuous failure to meet any covenant is regarded as a violation.

The interest coverage ratio in the first half of 2014 did not meet the abovementioned covenant.

(f) Repayment in advance: On August 5, 2014, the Company has repaid the remaining principal of \$680,270 in advance, taking into account that the Company's available funds are sufficient and the borrowing rate is relatively high. The repayment in advance has not caused other additional loss.

B. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Floating rate:		
Expiring within one year	\$ 130,360	\$ 268,250
Expiring beyond one year	-	-
	<u>\$ 130,360</u>	<u>\$ 268,250</u>

The undrawn borrowing facilities that will expire within one year are necessary for annual operations.

(9) Long-term borrowings

The Company leases in machinery equipment under finance lease. Based on the terms of the lease contracts, ownership of lease will transfer to the Company at no consideration when the leases expire. On August 20, 2014, the Company has paid off the financing lease in advance.

(10) Pensions

The Company have established a defined contribution pension plan (the "New Plan") under the Labour Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. The Company contributes monthly an amount of at least 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labour Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2015 and 2014 were \$7,286 and \$7,575, respectively.

(11) Share-based payment

A. For the years ended December 31, 2015 and 2014 the Company's share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Cash capital increase reserved for employee preemption	2014.01.09	140,000	NA	Vested immediately
Restricted employee shares	2013.06.20	1,150,000	2 years	2 years' service with optimal average performance

The above share-based payment arrangements are settled by equity.

B. Details of the share-based payment arrangements are as follows:

(a) Employee stock options:

	2014	
	No. of options	Weighted-average exercise price (in dollars)
Options outstanding opening balance at January 1	-	-
Options granted	140,000	15.46
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-
Options forfeited	-	-
Options exercised	(140,000)	15.46
Options outstanding at December 31	-	-
Options exercisable at December 31	-	-

(b) Restricted stocks to employees:

	2015		2014	
	No. of options	Exercise price (in dollars)	No. of options	Exercise price (in dollars)
Restricted stocks granted but not yet vested at January 1	696,500	\$ -	1,130,000	\$ -
Restricted stocks granted to employees	-	-	-	-
Distribution of stock dividends / adjustments for number of shares granted for one unit of option	-	-	-	-
Restricted stocks redeemed	(49,000)	-	(127,500)	-
Restricted stocks vested	(647,500)	-	(306,000)	-
Restricted stocks granted but not yet vested at December 31	-	-	696,500	-

C. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Price volatility	Option life	Dividends	Interest rate	Fair value per unit
Cash capital increase reserved for employee preemption	2014.01.09	\$17.10	\$ 15.46	43.28%	0.01	0%	0.87%	1.6433

D. The salary expenses which arose from cash capital increase reserved for employee preemption amounted to \$231 for the year ended December 31, 2014.

E. In order to attract, hold and encourage professionals and strengthen coherence of the Company as well as create higher profit for the Company and shareholders, the Board of Directors and shareholders have resolved that the Company issue restricted stocks on April 30, 2012 and June 27, 2012, respectively. The Company will issue restricted ordinary shares of 1,500 thousand shares with the issuing price of \$0. The issuance has been approved by Jin-Guan-Zheng-Fa-Zi Letter No.1020014942 as endorsed by the Financial Supervisory Commission. On June 19, 2013, the Board of Directors has approved that the Company issue the first-time employee restricted stocks of 11,500 thousand shares with a par value of \$10 per share, which are 1,150 thousand shares with the issuing price of \$0. The Company set June 20, 2013 as the grant date and July 1, 2013 as the issuance date. Fair value on the grant date was \$11.4. For the years ended December 31, 2015 and 2014, the Company recognised compensation cost of \$2,040 and \$4,498, respectively.

The vesting condition means that employees' actual performance meets the following criteria during the vesting period:

- (a) Employees who are working in the Company from 1 year after each grant date and whose performance during the year of grant is assessed to be optimal are vested 30% of restricted stock.
  - (b) Employees who are working in the Company from 2 years after each grant date and whose performance after 1 year of grant is assessed to be optimal are vested 70% of restricted stock.
- F. Employees' limited rights before reaching the vesting conditions are as follows:
- (a) Employees who have not met the vesting conditions cannot sell, pledge, transfer, donate, set or dispose the restricted stocks in any other method.
  - (b) Stocks and dividends distributed by restricted stocks for the employees who have not met the vesting conditions shall be kept at the trust.

The Company will redeem the stocks and dividends distributed at no consideration during the vesting period for the employees who do not met the vesting conditions.

(12) Provisions

		<u>Decommissioning liabilities</u>
At January 1, 2015		\$ 3,965
Unwinding of discount		385
At December 31, 2015		<u>\$ 4,350</u>
Analysis of total provisions:		
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Non-current	<u>\$ 4,350</u>	<u>\$ 3,965</u>

According to the policy published, applicable agreement or the law/regulation requirement, the Company bears dismantling, removing the asset and restoring the site obligations for the Guanyin plant in the future. A provision is recognised for the present value of costs to be incurred for dismantling, removing the asset and restoring the site.

(13) Share capital

A. As of December 31, 2015, the Company's authorized capital was \$3,500,000, consisting of 350,000 thousand shares of ordinary stock, and the paid-in capital was \$3,496,268 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.



Movements in the number of the Company's ordinary shares outstanding are as follows:

	2015	2014
At January 1	\$ 349,675,799	\$ 264,823,299
Cash capital increase	-	85,000,000
Redemption of employee restricted stock	( 49,000)	( 147,500)
At December 31	\$ 349,626,799	\$ 349,675,799

B. On May 7, 2013, the Board of Directors has resolved the Company to increase capital by issuing 85,000 thousand shares with a par value of \$10 (in dollars). The total amount of capital increase was \$1,314,100. The capital increase was set effective on January 15, 2014 and the registration has been completed in February 2014.

C. The Board of Directors at their meeting on June 19, 2013 adopted a resolution to issue restricted employee shares of 1,150 thousand shares (see Note 6(11)) with a par value of \$10 (in dollars) with the effective date set on July 1, 2013. The issuance has been registered on July 17, 2013. The redemption of 196,500 restricted ordinary shares due to employees' termination and not meeting vesting conditions has been registered.

(14) Capital surplus

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

	December 31, 2015	December 31, 2014
Share premium	\$ 1,513,900	\$ 2,050,093
Restricted employee shares	-	319
	\$ 1,513,900	\$ 2,050,412

(15) Retained earnings

	2015	2014
At January 1	(\$ 537,100)	(\$ 624,731)
Loss for the year	( 603,838)	( 537,100)
Capital surplus used to cover accumulated deficit	537,100	624,731
At December 31	(\$ 603,838)	(\$ 537,100)

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be distributed in the following order:

- (a) Payment of all taxes and dues.
- (b) Offset against prior years' operating losses, if any.
- (c) Set aside 10% of the remainder as legal reserve until the accumulated amount of the legal reserve reaches the total authorized capital of the Company.
- (d) Set aside or reverse special reserve in accordance with related laws or the Competent Authority.
- (e) After distributing the amount from (a) to (d), the Company shall distribute the remainder as directors' and supervisors' remuneration and employees' bonus. Directors' and supervisors' remuneration shall be distributed at no higher than 3% and shall be distributed in the form

of cash. Employees' bonus shall be distributed at no less than 3% and shall be distributed in the form of cash or stock. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive share or bonus. Qualification requirements are set by the Board of Directors.

- (f) The appropriation of the current year's distributable earnings less the abovementioned items of (a) to (e), plus prior year's accumulated unappropriated earnings, shall be proposed by the Board of Directors and then approved by the shareholders.
- (g) The Company operates in a volatile business environment and is in the rapid growth stage, so it sets its dividend policy based on an optimal financial plan to chase for an ongoing development. The Company considers the future capital expenditure budget and capital needs, as well as necessity of earnings to fulfil capital needs, the Company determines the amount of earnings retained or distributed and the amount of dividends or bonus distributed to shareholders in the form of cash. Earnings can be distributed as cash dividends or stock dividends. However, earnings shall be preferably distributed using cash dividends and may also be distributed using stock dividends. The ratio for stock dividends shall not exceed 50% of the total amount of dividends distributed.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. On March 26 and June 18, 2014, the Board of Directors and shareholders have approved the deficit compensation in 2013 of the Company, respectively. The Company covered losses using capital surplus – additional paid-in capital of \$624,731.
- D. On March 25 and June 17, 2015, the Board of Directors and shareholders have approved the deficit compensation in 2014 of the Company, respectively. The Company covered losses using capital surplus – additional paid-in capital of \$537,100.
- E. For the information relating to employees' remuneration and directors' and supervisors' remuneration, please refer to Note 6(22).

(16) Other equity

	2015	2014
At January 1	(\$ 1,942)	(\$ 8,962)
Restricted employee stocks		
- unearned compensation	1,942	6,608
Share of profit of associates and joint ventures accounted for using equity method	-	412
At December 31	\$ -	(\$ 1,942)

(17) Operating revenue

	Years ended December 31,	
	2015	2014
Sales revenue	\$ 1,439,522	\$ 1,853,771
Processing fees revenue	135,599	-
	\$ 1,575,121	\$ 1,853,771

(18) Other income

	Years ended December 31,	
	2015	2014
Rental revenue	\$ 967	\$ 909
Interest income:		
Interest income from bank deposits	6,065	4,813
Other interest income	10	10
Other income	3,258	2,416
	<u>\$ 10,300</u>	<u>\$ 8,148</u>

(19) Other gains and losses

	Years ended December 31,	
	2015	2014
Net currency exchange gains	\$ 4,549	\$ 8,395
Gains on disposal of property, plant and equipment	-	127
Gains on disposal of investments	-	63,302
Others	( 2,517)	( 42,582)
	<u>\$ 2,032</u>	<u>\$ 29,242</u>

For the years ended December 31, 2015 and 2014, the Company recognised losses of \$818 and \$41,724 as other losses for partial signed contract not fully completed, respectively.

(20) Finance costs

	Years ended December 31,	
	2015	2014
Interest expense:		
Bank borrowings	\$ 3,750	\$ 17,030
Provision: unwinding of discount	385	351
Interest of lease payable	-	1,828
	4,135	19,209
Finance expense:		
Amortisation on handling fee of borrowings	-	3,784
Bank handling charge	261	432
	4,396	23,425
Less: capitalisation of qualifying assets	-	-
Finance costs	<u>\$ 4,396</u>	<u>\$ 23,425</u>

(21) Expenses by nature

	Years ended December 31,	
	2015	2014
Employee benefit expense	\$ 234,263	\$ 247,721
Depreciation charges	533,797	537,007
Amortisation charges	3,958	5,295
Supplies charges	396,879	440,808
	<u>\$ 1,168,897</u>	<u>\$ 1,230,831</u>

(22) Employee benefit expense

	Years ended December 31,	
	2015	2014
Wages and salaries	\$ 199,770	\$ 212,014
Labour and health insurance fees	16,516	16,596
Pension costs	7,286	7,575
Other personnel expenses	10,691	11,536
	<u>\$ 234,263</u>	<u>\$ 247,721</u>

- A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees and pay remuneration to the directors and supervisors that account for no less than 3% and 3%, respectively, of the total distributed amount.

However, in accordance with the Company Act amended in May 20, 2015, a company shall distribute employee compensation, based on the profit of the current year distributable, in a fixed amount or a ratio of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on December 22, 2015. According to the amended articles, the ratio shall be no lower than 5% and no higher than 3% of the current year's distributable profit for employees' compensation and directors' remuneration, respectively. If a company has accumulated deficit, earnings should be channeled to cover losses. The amended articles will be resolved in the shareholders' meeting in 2016.

- B. For the years ended December 31, 2015 and 2014, employees' compensation and directors' and supervisors' remuneration were both accrued at \$0. Where the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are accounted for as changes in estimates.

Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2015	2014
Current tax:	\$ -	\$ -
Deferred tax:		
Origination and reversal of investment tax credit and taxable loss	78,445	50,253
Origination and reversal of temporary differences	542	7,283
Total deferred tax	78,987	57,536
Income tax expense	<u>\$ 78,987</u>	<u>\$ 57,536</u>

(b) Reconciliation between income tax expense and accounting loss:

	Years ended December 31,	
	2015	2014
Tax calculated based on loss before tax and statutory tax rate	(\$ 89,225)	(\$ 81,526)
Effects from items disallowed by tax regulation	39	9,041
Change in assessment of realization of deferred tax assets	168,173	130,021
Income tax expense	<u>\$ 78,987</u>	<u>\$ 57,536</u>

B. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

2015					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Temporary differences:					
Unrealised inventory valuation loss	\$ 4,724	(\$ 980)	\$ -	\$ -	\$ 3,744
Unrealised exchange loss	-	4	-	-	4
Other	660	79	-	-	739
Taxable loss	<u>283,692</u>	<u>( 78,445)</u>	<u>-</u>	<u>-</u>	<u>205,247</u>
Subtotal	<u>\$289,076</u>	<u>(\$ 79,342)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,734</u>
Deferred tax liabilities:					
Unrealised exchange gain	<u>( 355)</u>	<u>355</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>(\$ 355)</u>	<u>\$ 355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$288,721</u>	<u>(\$ 78,987)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,734</u>
2014					
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Deferred tax assets:					
Temporary differences:					
Unrealised inventory valuation loss	\$ 4,224	\$ 500	\$ -	\$ -	\$ 4,724
Other	8,088	- 7,428	-	-	660
Taxable loss	<u>333,945</u>	<u>( 50,253)</u>	<u>-</u>	<u>-</u>	<u>283,692</u>
Subtotal	<u>\$346,257</u>	<u>(\$ 57,181)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,076</u>
Deferred tax liabilities:					
Unrealised exchange gain	<u>\$ -</u>	<u>(\$ 355)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 355)</u>
Subtotal	<u>\$ -</u>	<u>(\$ 355)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 355)</u>
	<u>\$346,257</u>	<u>(\$ 57,536)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,721</u>

C. Expiration dates of unused taxable loss and amounts of unrecognised deferred tax assets are as follows:

December 31, 2015				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until
2011	\$ 300,197	\$ 300,197	\$ 300,197	2021
2012	917,673	917,673	917,673	2022
2013	746,449	746,449	642,505	2023
2014	575,586	575,586	-	2024
2015	527,812	527,812	-	2025
	<u>\$ 3,067,717</u>	<u>\$ 3,067,717</u>	<u>\$ 1,860,375</u>	
December 31, 2014				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Usable until
2011	\$ 300,197	\$ 300,197	\$ 300,197	2021
2012	917,673	917,673	570,930	2022
2013	746,449	746,449	-	2023
2014	575,586	575,586	-	2024
	<u>\$ 2,539,905</u>	<u>\$ 2,539,905</u>	<u>\$ 871,127</u>	

D. The Company's income tax returns through 2013 have been assessed and approved by the Tax Authority.

E. Related information of accumulated deficit to be covered:

	December 31, 2015	December 31, 2014
Deficit incurred in and after 1998	(\$ 603,838)	(\$ 537,100)

F. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was both \$5,424. For the years ended December 31, 2015 and 2014, the Company has generated accumulated deficit. There is no distributable earnings and thus, the creditable tax rate is not applicable.

(24) Loss per share

	<u>Year ended December 31, 2015</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss for the year	(\$ <u>603,838</u> )	<u>349,252</u>	(\$ <u>1.73</u> )
<u>Diluted loss per share</u>			
Loss for the year	(\$ 603,838)	349,252	(\$ 1.73)
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted shares	-	-	-
Loss attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	(\$ <u>603,838</u> )	<u>349,252</u>	(\$ <u>1.73</u> )

	<u>Year ended December 31, 2014</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss for the year	(\$ <u>537,100</u> )	<u>345,542</u>	(\$ <u>1.55</u> )
<u>Diluted loss per share</u>			
Loss for the year	(\$ 537,100)	345,542	(\$ 1.55)
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted shares	-	-	-
Loss attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	(\$ <u>537,100</u> )	<u>345,542</u>	(\$ <u>1.55</u> )

Restricted stocks (See Note 6(11)) are potential ordinary shares. The Company assesses the stocks using the treasury approach under IAS 33, "Earnings Per Share". The above restricted stocks have no dilutive effect and thus are not included in the calculation of loss per share.

(25) Operating leases

The Company leases in land under non-cancellable operating lease agreements. The lease terms are between 2008 and 2026. Extra rents are paid based on changes in local price index for certain leases. The Company recognised rental expenses of \$21,847 and \$22,479 for the years ended December 31, 2015 and 2014, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:



	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Not later than one year	\$ 23,489	\$ 23,464
Later than one year but not later than five years	93,955	93,857
Later than five years	94,539	118,065
	<u>\$ 211,983</u>	<u>\$ 235,386</u>

(26) Supplemental cash flow information

Investing activities with partial cash payments :

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Purchase of property, plant and equipment	\$ 51,649	\$ 4,355
Add: opening balance of payable on equipment	32,396	57,360
Less: ending balance of payable on equipment	( 22,490)	( 32,396)
Cash paid during the period	<u>\$ 61,555</u>	<u>\$ 29,319</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

None.

(2) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Salaries and other short-term employee benefits	\$ 13,098	\$ 14,514
Post-employment benefits	324	419
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	1,934	4,729
Total	<u>\$ 15,356</u>	<u>\$ 19,662</u>

8. PLEGGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2015</u>	<u>December 31, 2014</u>	
Time deposits (shown as other financial assets - non-current)	\$ 11,381	11,021	Land tenancy Disposal of waste
Buildings (Note)	282,866	292,684	Long-term borrowings
Machinery equipment	88,922	101,329	"
	<u>\$ 383,169</u>	<u>\$ 405,034</u>	

Note: The Company pledges land surface rights as collateral for long-term borrowings.

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

(1) Contingencies

None.

(2) Commitments

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Plant and equipment	\$ 85,618	\$ 455,592

Due to the uncertainty of the industry in the past two years, the Company adjusted the building schedule of Wafer fab 3 accordingly. The Company will renegotiate the contract terms with the equipment suppliers in the future and is expecting to perform the contract gradually while maintaining the interest of shareholders and complying with business practices at the same time.

B. Operating lease commitments

Please refer to Note 6 (25) for the related information.

C. In order to ensure that the sources of silicon raw materials are sufficient, the Company has entered into a supply contract with a world-renowned supplier in March 2011. The contract period is from January 1, 2012 to December 31, 2018. The supplier has committed to provide a certain quantity of silicon raw material to the Company during the contract period. The total contract price is USD 161 million. As the price of the silicon raw material has fluctuated dramatically, the delivered price and quantity for each purchase were then determined based on mutual agreements for the years ended December 31, 2015 and 2014. Each delivered price approximates to the market value, so the Company expects future purchases using the same pattern. As of December 31, 2015, the Company has made prepayments of \$117,450 (USD 3,984 thousand) for purchases, which were recorded as prepayments of \$10,548 (USD 358 thousand) and other non-current assets of \$106,902 (USD 3,626 thousand).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. As of December 31, 2015 and 2014, the Company's gearing ratio was (21.16%) and (17.35%), respectively.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Company's financial instruments measured at amortised cost (including notes receivable, accounts receivable, other receivables, short-term borrowings, accounts payable and other payables) approximate to their fair value. The interest rates of long-term borrowings and lease payable (including current portion) approximate to the market interest, thus, their carrying amounts are a reasonable basis for estimation of fair values.

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of

financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

- (b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company's certain transactions were denominated in foreign currencies and the Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.
- ii. Management has set up a policy to require the Company to manage the foreign exchange risk against the functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a foreign currency that is not the Company's functional currency.
- iii. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2015			
	Foreign currency		Book value (NTD)
	amount (In thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
JPY:NTD	\$ 13	0.2727	\$ 4
USD:NTD	9,194	32.825	301,793
<u>Financial liabilities</u>			
<u>Monetary items</u>			
JPY:NTD	\$ 1,459	0.2727	\$ 398
USD:NTD	2,988	32.825	98,081
EUR:NTD	1	35.88	36

				December 31, 2014		
				Foreign currency amount		Book value
				(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
				\$	1,779	0.265 \$ 471
					8,791	31.65 278,235
					16	38.47 616
<u>Financial liabilities</u>						
<u>Monetary items</u>						
				\$	1,235	0.265 \$ 327
					2,133	31.65 67,509
					16	38.47 616

iv. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2015 and 2014, amounted to \$4,549 and \$8,395, respectively.

v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

						Year ended December 31, 2015		
						Sensitivity analysis		
						Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)								
<u>Financial assets</u>								
<u>Monetary items</u>								
					1%	\$	-	\$ -
					1%		3,018	-
<u>Financial liabilities</u>								
<u>Monetary items</u>								
					1%	\$	4	\$ -
					1%		981	-
					1%		-	-

Year ended December 31, 2014

Sensitivity analysis				
Degree of variation	Effect on profit or loss	Effect on other comprehensive income		
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
JPY:NTD	1%	\$ 5	\$	-
USD:NTD	1%	2,782		-
EUR:NTD	1%	6		-
CHF:NTD	1%	-		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
JPY:NTD	1%	3		-
USD:NTD	1%	675		-
EUR:NTD	1%	6		-

Interest rate risk

- i. The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the years ended December 31, 2015 and 2014, the Company's borrowings at variable rate were denominated in the NTD.
- ii. The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.
- iii. Based on the simulations performed, the impact on post-tax profit of a 5% shift would be a maximum increase of \$157 and \$707 for the years ended December 31, 2015 and 2014, respectively. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by the management.

(b)Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures from sales to customers, including outstanding receivables and committed transactions.
- ii. For the year ended December 31, 2015, transactions were processed based on the regulations for credit management, and management does not expect any significant

losses from non-performance by these counterparties.

(c) Liquidity risk

- i. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 6(8)) at all times. Such forecasting takes into consideration of the Company's debt financing plans, covenant compliance, compliance with targeted internal balance sheet ratios.
- ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2015	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Accounts payable	\$ 192,599	\$ -	\$ -
Other payables	98,113	-	-
Long-term borrowings (including current portion)	76,817	58,785	-

Non-derivative financial liabilities:

December 31, 2014	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>
Accounts payable	\$ 194,173	\$ -	\$ -
Other payables	104,911	-	-
Long-term borrowings (including current portion)	91,662	85,194	40,414

- iii. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: None.

#### (2) Information on investees

None.

#### (3) Information on investments in Mainland China

None.

### 14. SEGMENT INFORMATION

#### (1) General information

The Company operates business only in a single industry relating to silicon wafer. The chief operating decision-maker, Board of Directors who considers the Company as a single performance management entity and assesses performance, makes strategic decisions and allocates resources based on the financial statements of the Company, has identified that the Company has only one reportable operating segment.

#### (2) Measurement of segment information

The Board of Directors evaluates the performance of the operating segments based on the quarterly financial statements.

#### (3) Information about segment profit or loss, assets and liabilities

The Company has only one reportable operating segment. Segment profit or loss, assets and liabilities are in agreement with those shown in the financial statements.

#### (4) Reconciliation for segment profit or loss, assets and liabilities

The Company has only one reportable operating segment. Segment profit or loss, assets and liabilities are in agreement with those shown in the financial statements, thus there is no reconciliation.

(5) Information on products and services

Revenue from external customers is mainly arising from the sales and processing of solar energy related products, detail of revenue balance is as follows:

	Years ended December 31,	
	2015	2014
Sales revenue	\$ 1,439,522	\$ 1,853,771
Processing fees revenue	135,599	-
	<u>\$ 1,575,121</u>	<u>\$ 1,853,771</u>

(6) Geographical information

Geographical information for the years ended December 31, 2015 and 2014 is as follows:

	Years ended December 31,			
	2015		2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,512,354	\$ 3,379,845	\$ 1,628,221	\$ 3,868,543
Asia (excluding Taiwan)	15,558	-	280	-
Europe	46,392	-	225,270	-
America	817	-	-	-
	<u>\$ 1,575,121</u>	<u>\$ 3,379,845</u>	<u>\$ 1,853,771</u>	<u>\$ 3,868,543</u>

(7) Major customer information

Information about the Company's sales revenue of major customers for the years ended December 31, 2015 and 2014 is as follows:

	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014</u>
Company A	\$ 9,282	\$ 330,851
Company B	14,331	288,045
Company C	304,642	267,531
Company D	46,392	225,270
Company E	270,117	51,944
Company F	370,168	143,229
Company G	298,261	136,577
	<u>\$ 1,313,193</u>	<u>\$ 1,443,447</u>



DANEN TECHNOLOGY CORPORATION  
DETAILS OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2015  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Description	Amount
Petty cash and cash on hand		\$ 101
Cash in banks		
Time deposits		600,000
Demand deposits		142,397
Foreign currency demand deposits	JPY 12,590, exchange rate 0.2727	
	USD 4,890,290.43, exchange rate 32.825	
	EUR 18.95, exchange rate 35.88	
	CHF 0.28, exchange rate 33.185	160,528
		<u>\$ 903,026</u>

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DANEN TECHNOLOGY CORPORATION  
DETAILS OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2015  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Name of Customer	Description	Amount	Note
Company C		\$ 49,973	
Company F		45,947	
Company G		15,648	
Company H		13,496	
Company I		8,933	
Company J		7,114	
Others		<u>136</u>	None of the balances of each remaining accounts is greater than 5% of this account balance.
		141,247	
Less : Allowance for bad debts		( <u>628</u> )	
		<u>\$ 140,619</u>	

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DANEN TECHNOLOGY CORPORATION  
STATEMENT OF INVENTORIES  
YEAR ENDED DECEMBER 31, 2015  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Description	Amount		Note
		Cost	Market price	
Raw materials		\$ 74,526	\$ 64,746	Use net realizable value as market price
Supplies		27,942	29,014	
Work in process		54,401	53,058	
Finished goods		35,949	34,360	
		192,818	<u>\$ 181,178</u>	
Less: Allowance for inventory valuation and obsolescence losses		( <u>22,023</u> )		
		<u>\$ 170,795</u>		

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DANEN TECHNOLOGY CORPORATION  
DETAILS OF LONG-TERM BORROWINGS  
DECEMBER 31, 2015  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>Type of borrowings</u>	<u>Creditors</u>	<u>Description</u>	<u>Maturity within one year</u>	<u>Maturity longer than one year</u>	<u>Total</u>	<u>Contract period</u>	<u>Interest rate</u>	<u>Financing</u>	<u>Collateral or guarantee</u>	<u>Note</u>
Secured borrowings	THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.	Long-term borrowings	\$ 25,000	\$ 18,750	\$ 43,750	2015.09.30~2017.09.30	Note	-	Machinery equipment	
Unsecured borrowings	TAIWAN BUSINESS BANK	"	25,000	16,667	41,667	2015.08.31~2017.08.31	"	-	None	
"	CTBC BANK	"	25,008	22,908	47,916	2015.11.05~2017.11.05	"	-	"	
			<u>\$ 75,008</u>	<u>\$ 58,325</u>	<u>\$ 133,333</u>					

Note : Interest rate of borrowings 1.80%~1.85%

DANEN TECHNOLOGY CORPORATION  
DETAILS OF OPERATING REVENUE  
YEAR ENDED DECEMBER 31, 2015  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Multi-crystalline solar wafer		\$ 1,439,522	
Processing fees revenue		135,599	
	60,225 thousand	<u>\$ 1,575,121</u>	

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DANEN TECHNOLOGY CORPORATION  
DETAILS OF OPERATING COSTS  
YEAR ENDED DECEMBER 31, 2015  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Direct material			
Opening balance of raw materials		\$ 82,530	
Add: Purchases during the year		814,070	
Less: Ending balance of raw materials		( 74,526)	
Transfer to manufacturing expenses and research and development expenses		( 5,735)	
Materials used during the year		816,339	
Indirect material			
Opening balance of supplies		22,948	
Add: Purchases during the year		445,157	
Less: Ending balance of supplies		( 27,942)	
Transfer to manufacturing expenses and research and development expenses		( 440,163)	
Supplies used during the year		-	
Direct labour		107,557	
Manufacturing overhead		1,081,735	
Manufacturing cost		2,005,631	
Add: Opening balance of work in process and semi-finished goods		74,166	
Less: Ending balance of work in process and semi-finished goods		( 54,401)	
Production loss		( 72,612)	
Cost of finished goods		1,952,784	
Add: Opening balance of finished goods		39,595	
Other adjustments		11	

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DANEN TECHNOLOGY CORPORATION  
DETAILS OF OPERATING COSTS  
YEAR ENDED DECEMBER 31, 2015  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Less: Ending balance of finished goods	( 35,949)
Semi-finished goods sold	( 679)
Transfer to manufacturing expenses and research and development expenses	( 12)
Adjustments due to processing	( 227,856)
Cost of goods manufactured	1,727,894
Unamortised manufacturing expenses	237,543
Cost of semi-finished goods sold	679
Production loss	72,612
Other adjustments	( 95)
Gain from reversal of inventory market value decline	( 5,762)
Revenue from sale of scraps	( 2,976)
Operating costs	<u>\$ 2,029,895</u>

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DANEN TECHNOLOGY CORPORATION  
DETAILS OF MANUFACTURING OVERHEAD  
YEAR ENDED DECEMBER 31, 2015  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Description	Amount	Note
Depreciation		\$ 531,965	
Supplies expenses		396,783	
Utilities expenses		174,154	
Indirect labour		50,911	
Expenses for spare parts		48,108	
Others		117,357	None of the balances of each remaining accounts is greater than 5% of this account balance.
Less: Unamortised manufacturing expenses		( 237,543 )	
		<u>\$ 1,081,735</u>	

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DANEN TECHNOLOGY CORPORATION  
DETAILS OF SELLING EXPENSES  
YEAR ENDED DECEMBER 31, 2015  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Description	Amount	Note
Wages and salaries		\$ 2,510	
Freight		618	
Utilities expenses		479	
Others expenses		840	None of the balances of each remaining accounts is greater than 5% of this account balance.
		<u>\$ 4,447</u>	

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DANEN TECHNOLOGY CORPORATION  
DETAILS OF GENERAL AND ADMINISTRATIVE EXPENSES  
YEAR ENDED DECEMBER 31, 2015  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Description	Amount	Note
Wages and salaries		\$ 33,765	
Utilities expenses		6,047	
Insurance expenses		3,258	
Others expenses		<u>12,936</u>	None of the balances of each remaining accounts is greater than 5% of this account balance.
		<u>\$ 56,006</u>	

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DANEN TECHNOLOGY CORPORATION  
DETAILS OF RESEARCH AND DEVELOPMENT EXPENSES  
YEAR ENDED DECEMBER 31, 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Item	Description	Amount	Note
Wages and salaries		\$ 12,314	
Utilities expenses		2,941	
Insurance expenses		1,037	
Others expenses		<u>1,268</u>	None of the balances of each remaining accounts is greater than 5% of this account balance.
		<u>\$ 17,560</u>	

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DANEN TECHNOLOGY CORPORATION  
DETAILS OF EMPLOYEE BENEFIT EXPENSE,  
DEPRECIATION, AND AMORTIZATION  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2015			2014		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense (Note)						
Wages and salaries	\$ 153,042	\$ 46,728	\$ 199,770	\$ 165,894	\$ 46,120	\$ 212,014
Labour and health insurance fees	12,322	4,194	16,516	12,624	3,972	16,596
Pension costs	5,426	1,860	7,286	5,579	1,996	7,575
Other personnel expenses	9,868	823	10,691	10,369	1,167	11,536
Total	180,658	53,605	234,263	187,349	53,255	240,604
Depreciation	531,964	1,833	533,797	533,967	3,040	537,007
Amortisation	3,143	815	3,958	4,170	1,125	5,295

Note: As of December 31, 2015 and 2014, the number of employees of the Company was 313 and 348, respectively.