

Stock Code : 6196

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Marketech International Corp.

2017 Annual Report

Printed on May 10, 2018

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.

1. The name, title, telephone number, and e-mail address of the spokesman or acting spokesman :

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Tel : +886-06-5055666

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3. The name, address, e-mail address, and telephone number of the agency handling shares transfer :

Company : KGI Securities Co., Ltd., Stock Administration Department

Address : 4F, No.2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan, R.O.C.

Website : www.kgieworld.com.tw

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4. The name of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, address and telephone number of said person's accounting firm :

Auditors : Account Chang, Shu-Chiung & Account Weng, Shih-Jung

Accounting Firm : PricewaterhouseCoopers Taiwan

Address : 27F, Taiwan No.333., Sec. 1, Keelung Rd, Taipei City, Taiwan 11012, R.O.C.

Website : www.pwc.tw

Tel : +886-2-2729-6666

5. The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities : None.

6. Corporate Website : www.micb2b.com

Contents

Part 1	Letter to Shareholders.....	1
Part 2	Company Profile.....	5
	1.Date of Incorporation.....	5
	2.Company History.....	5
Part 3	Corporate Governance Report.....	10
	1.Organization.....	10
	2.Directors, Supervisors, President, VicePresident, Assistant Vice President and Department Heads.....	13
	3.The remunerations dispensed to the Directors, Supervisors, President and Vice President in the most recent fiscal year.....	17
	4.Implementation of Corporate Governance	24
	5.Information Regarding the Company’s Audit Fee and Independence.....	40
	6.Information on Replacement of Certified Public Accountant.....	41
	7.The Chairman, President and the Manager in charge of finance or accounting matters who has worked for the independent auditor or related parties in the most recent year.....	41
	8.Information on shareholding transfer and pledge by Directors, Supervisors, Department Heads and Shareholders with over 10% shareholding in the most recent year and up to the printing of the annual report.....	42
	9.Relationship information among the Top Ten Shareholders and any one is a related party pr a relative within the second degree of kinship of another	43
	10.The shareholding of the same invested company by the Company, the Directors, the Supervisors, the Managers or other business that is controlled by the Company directly or indirectly.....	44
Part 4	Capital Overview.....	45
	1. Capital and Shares.....	45
	2. Bonds.....	50
	3. Preferred Stock.....	51
	4. Global Depository Receipts.....	51
	5.Employee Stock Options.....	52
	6. New Restricted Employee Shares.....	54
	7.Status of New Issuance in Connection with Mergers and Acquisitions.....	54
	8.Financing Plans and Implementation.....	54
Part 5	Operational Highlights.....	56
	1. BusinessActivities.....	56
	2. Market and Sales Overview.....	141
	3.Human Resources	156
	4.Environmental Protection Expenditure.....	156
	5.Labor Relations.....	156

	6.Important Contracts.....	159
Part 6	Financial Information.....	161
	1.Condensed Balance Sheets and Statements of Comprehensive Income for the past 5 fiscal years, and the name of the Certified Public Accountant and the Auditors Opinion given thereby.....	161
	2.Financial Analysis in the past 5 fiscal years.....	165
	3.Supervisors' or Audit Committee's Report in the most recent fiscal year.....	169
	4. Consolidated Financial Statement in the most recent fiscal year..	170
	5. Separate Financial Statement of the Parent Company and Related Party in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report.....	170
	6.Financial difficulties of the Company and Related Party in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report.....	170
Part 7	Review of Financial Conditions, Operating Results, and Risk Management.....	171
	1.Analysis of Financial Position.....	171
	2.Analysis of Financial Performance	173
	3.Analysis of Cash Flow.....	175
	4.The Effect upon Financial Operations of any major capital expenditures during the most recent fiscal year.....	177
	5.Investment Policy in the most recent fiscal year, Main Causes for profits or losses, Improvement Plans and the Investment Plans for the coming year.....	177
	6.Analysis of Risk Mangement.....	192
	7.Other Important Matters.....	194
Part 8	Special Disclosures.....	195
	1.Information related to the Company's Affiliates.....	195
	2.Private Placement Securities in the most recent fiscal year and during the current fiscal year up tothe date of printing of the annual report.....	205
	3.The Shares in the Company Held or Disposal of by subsidiaries in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report.....	205
	4.Other Disclosures.....	205
Part 9	Any of the situations listed in Article 36, paragraph3, subparagraph 2 of the Securities and Exchange Act of Taiwan, which might materially affect Shareholders' Equity or the price of the Company Securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.....	205

Part 1. Letter to Shareholders

1. Preface

Dear shareholders, ladies, and gentlemen,

This year is going to mark the 30th anniversary of MIC. The company has been like a warship riding the wind and waves for almost 30 years and continuously made major achievements, relying on the efforts of all my colleagues. There is a Chinese old saying, “Fortune always appreciates hardworking, kind, honest, genuine, and professional people”. MIC stands proudly in the top of the competitive high-tech industry and devotes itself to serve each of our clients with its six core values of integrity, care, professionalism, innovation, dedication, and teamwork. The accumulated experience and reputation are our most valuable assets. In 2017, MIC announced its new results with both revenue and net profit hit record high. Looking to 2018, we have a long way to go and go all out.

MIC’s consolidated revenue totaled NT\$20.212 billion in 2017, compared with NT\$18.651 billion in 2016, up 8.37% year-on-year (YoY). Annual operating profit of NT\$800 million, the annual growth rate of 14.34%, the net profit after tax reached NT\$649 million, up 26.91% YoY, and the consolidated earnings per share was NT\$3.77. The annual revenues, net profit, and earning per share all set a record high success.

According to SEMI, the market value of global semiconductor in 2017 is 20% more than the previous year. With the continuous demand of new technologies and new production capacity, SEMI optimistically predicts that the global semiconductor market will reach a new high, and the overall market is expected to challenge a record of \$500 billion by 2019. In 2017, the semiconductor industry performed quite well on revenue, equipment, and silicon wafer shipments. The semiconductor material market in 2017 is increased 10% over 2016. By 2018, it is estimated that there will be 4% growth rate, and Taiwan will maintain its status of the world’s largest buyer of semiconductor materials. As a result of the booming market, MIC has seen a significant increase in orders since August 2017, with orders on hand worth of NT\$15 billion by the end of December, 2017, up 36% from the previous year.

MIC is about to enter the thirtieth year, and I can only express my gratitude through this letter. I am deeply grateful to all the shareholders who support MIC, to the clients who recognize MIC, to the third-party partners who collaborate with MIC, and to all my colleagues for their hard work. Next year, MIC will continue to strive for excellence to serve our clients, create lucrative profit and shareholder return, and fulfill our social responsibilities to establish outstanding industrial values of Taiwan.

Margaret Kao
Chairman & CEO

2. Business Report

2.1 The operating results of 2017

2.1.1 Operating results

The Company's consolidate revenue for 2017 totaled NT\$20,211,994 thousand, with an increase over NT\$18,650,941 thousand comparing with the year before (2016). Net income in 2017 was NT\$648,829 thousand, with an increase over NT\$511,263 thousand comparing with the year before.

The Parent Company's separate revenue of the parent company for 2017 totaled NT\$15,319,550 thousand, with an increase over NT\$13,308,343 thousand comparing with the year before (2016). Net income in 2017 was NT\$652,951 thousand, with an increase over NT\$515,151 thousand comparing with the year before. The company will continue to stabilize growth and profitability as the operational goals in the future, thus to create the largest shareholder equity.

Summary of the 2017 and 2016 Consolidated and Separate Financial Statement is listed as follows:

(1) Summary of Consolidated Financial Statement

Unit : NT\$ thousands				
Items	2016	2017	Variance (\$)	Variance (%)
Operating Revenue	18,650,941	20,211,994	1,561,053	8.37
Gross Profit	2,247,657	2,301,337	53,680	2.39
Operating Income	700,300	800,699	100,399	14.34
Net Income	511,263	648,829	137,566	26.91
EPS(in dollars) (Note2)	3.12	3.77	0.65	20.83

Note 1: The above information is summarized from Audit Reports of 2016 and 2017.

Note 2: The Earnings per Share is calculated based on the no. of the weighted average outstanding shares.

(2) Summary of Separate Financial Statement

Unit : NT\$ thousands				
Items	2016	2017	Variance (\$)	Variance (%)
Operating Revenue	13,308,343	15,319,550	2,011,207	15.11
Gross Profit	1,749,009	1,849,529	100,520	5.75
Operating Income	770,176	875,580	105,404	13.69
Net Income	515,151	652,951	137,800	26.75
EPS (in dollars) (Note2)	3.12	3.77	0.65	20.83

Note 1: The above information is summarized from Audit Reports of 2016 and 2017.

Note 2: The Earnings per Share is calculated based on the no. of the weighted average outstanding shares.

2.1.2 Budget Implementation

In 2017, the continuous booming in semiconductor, optoelectronics and other electronic industries, and momentum of expanded production across the strait have increased the market demand, of which benefits not only the manufacturers in these industries, but also MIC to achieve the budget plan and reach significant increase in annual consolidated and non-consolidated operating revenue in 2017. The company will continue to stabilize growth and profitability as the operational goals in the future.

2.1.3 Analysis of Receipts, Expenditures, and Profitability

Items		Consolidated Financial Statement		Separate Financial Statement	
		2016	2017	2016	2017
Financial Structure	Ratio of liabilities to assets (%)	67.30	67.99	58.26	58.58
	Ratio of long-term capital to fixed assets (%)	377.18	305.66	469.76	392.56
Solvency	Current ratio (%)	137.68	131.53	139.25	131.32
	Quick ratio (%)	102.89	94.30	100.19	90.05
	Times interest earned	12.88	13.98	55.50	71.29
Profitability	Return on total assets (%)	4.29	4.65	5.16	5.65
	Return on shareholders' equity (%)	11.27	13.31	11.36	13.39
	Ratio of operating income to paid-in capital (%)	42.42	45.23	46.66	49.46
	Ratio of pre-tax income to paid-in capital (%)	40.75	45.98	40.68	46.12
	Profit margin (%)	2.74	3.21	3.87	4.26
	Earnings per share (dollar) (Note)	3.12	3.77	3.12	3.77

Note: The Earnings per Share is calculated based on the no. of the weighted average outstanding shares

2.1.4. Research and Development

(1) Expenditure involved

Items	Year	Unit : NT\$ thousands			
		Consolidated Financial Statement		Separate Financial Statement	
		2016	2017	2016	2017
Research and development expenses (A)		209,703	184,082	208,022	177,920
Operating revenue (B)		18,650,941	20,211,994	13,308,343	15,319,550
Ratio (A)/(B)(%)		1.12	0.91	1.56	1.16

(2) Developed technologies and products in 2017

Featured with the capability of integrating high-technology production, auto-control and precision machinery technologies, the R&D team of MIC Group has shown extraordinary results in developing high-technology system and facilities. Its major performance in 2016 is shown below:

Year	R&D Performance	Applications
2017	Imec Miliflex tool	LED industry (Micro LED)
	LED Wafer Thickness and Flatness Measurement Techniques	LED industry (LED Sapphire)

2.2 Highlights of 2018 Business Plan

2.2.1 Operating Strategies

- (1) Go further in high-tech equipment and material product lines to increase the operating revenue.
- (2) Upgrade capabilities in turnkey service of engineering, design and system integration.
- (3) Cooperate with well-known international manufacturers to develop capabilities in production relevant processing equipment.
- (4) Research and develop customized equipment and production.
- (5) Upgrade and extend equipment maintenance services.
- (6) Expand and diversity business in non-IT industries with its core technology and capability.
- (7) Actively develop IoT and AI applications and installation capabilities.

2.2.2 Sales volume forecast and basis thereof

The “Global Economic Prospects” published by the World Bank forecasts global economic growth to edge up to 3.1% in 2018, which is higher than the 3% of 2017. The Directorate-General of Budget, Accounting and Statistics (DGBAS), Executive Yuan has published the economic growth rate of 2017, which is 2.86%, and forecasted that the economic growth rate of 2018 will be 2.42%. DGBAS expressed that the country’s economy now had a steady growth and will have an “optimistic development” in the future.

SEMI (Semiconductor Equipment and Materials International) expressed that, following the continuously increased production capabilities of the Mainland Chinese wafer plants, the semiconductor equipment demand would increase in 2018; it is expected that the global semiconductor equipment expenditure will reach USD63 billion with a growth of 11% comparing with 2017. Industrial Economics and Knowledge (IEK) Center of Industrial Technology Research Institute indicated that the business cycle for panel display will reach the peak in 2018: until now, 4 out of 10.5G lines will have a mass production and 8 to 9 are still in the planning stage.

Looking into 2018, MIC Group has maintained its foot in Taiwan while heading towards Asia. It is expected to see a growth in MIC’s operating performance this year comparing with the year before.

2.2.3 Important Production and Sales Policies

- (1) To integrate MIC Group’s business units and build up the Company’s core technology.
- (2) To provide customers on-time solutions that satisfy the customer demand in order to increase the Company’s competitiveness in sales.
- (3) To provide customer a full line service through synergy of the company’s business units.
- (4) To enhance sales office’s supply service to provide appropriate and on-time integrated services.
- (5) To enhance its relationship with customers in Asia and to extend the Company’s capability to provide local services.

2.3 Future Development Strategy

Centered on four major business groups – business agency, engineering design, system applications, and R&D and Manufacturing – MIC aims to further diversify its services and to include non-IT customers in order to expand its business in Asia.

Regarding the management system, MIS has implemented ISO9001, ISO14001 and OHSAS18001 work standards to enhance its work quality and efficiency to ensure the Group’s competitiveness, to make employees confident, to bring customers a good protection and to maximize shareholders’ benefits.

2.4 Impacts of External Competitive Environment, Regulatory Environment and Macroeconomic Environment

Impacted by the fierce competition of macroeconomic environment, the industry generally has the costs increased and profitability decreased. MIC Group is now making effort on the project and purchase management in order to enhance our competitiveness in the industry by controlling the costs and expenditure. As for the regulations, amendments concerning the protection of our environment, consumers and investors, as well as our social responsibilities were made, creating more restrictions on the business and turning the macroeconomic environment even more complicated. MIC Group will therefore provide even more professional services to confront the incoming challenges. Upholding the spirit of “innovation”, we aim to provide an “integrated” and “differentiated” service to expand our market and make the Group even more advantageous.

A Good Health and All the Bests to our Shareholders.

Sincerely yours,

Chairman of the Board: Margaret Kao

President: Scott Lin

Accounting Director: Chung Chi-Wen

Part 2. Company Profile

1. Date of Incorporation : December 27, 1988

2. Company History :

2.1 Company History

- | | |
|------|--|
| 1988 | Marketech International Corp. was established with paid-in capital of NT\$ 5 million in December. |
| 1989 | Cooperated with US TPI Systems and introduced the hi-tech products as well as technologies in February. |
| 1991 | Increased paid-in capital of NT\$ 5 million. |
| 1994 | Increased paid-in capital of NT\$ 10 million in June. |
| 1995 | Set up MIC's 1st semiconductor cleaning room in June. |
| 1995 | Increased paid-in capital of NT\$ 9 million in March. |
| 1997 | Started overseas business expansion from Singapore in July. |
| 1997 | Tainan representative office was established to support customers in Tainan Science Park in October. |
| 1997 | Co-marketed with J.P.C. to expand business in overseas markets in December. |
| 1998 | Set up MIC's 2nd semiconductor cleaning room in January. |
| 1998 | Changed company organization and name to Marketech International Corp.
Increased paid-in capital of NT\$ 13 million and converted retained earnings of NT\$ 13 million into paid-in capital in September. |
| 2000 | Divisions of Equipment & Material and Chemical Engineering received ISO 9002 certification in September. |
| 2000 | Increased paid-in capital of NT\$ 31.47 million and converted retained earnings of NT\$ 113.23 million into paid-in capital in October.
Hsin Chu office was officially opened. |
| 2000 | MIC-TECH VENTURES ASIA PACIFIC INC. was established and in charge of investment projects in China in December. |
| 2001 | Increased paid-in capital of NT\$ 18 million in January. |
| 2001 | MARKET GO PROFITS LTD. was established and in charge of overseas investment projects in February.
Acquired MARKETECH INTEGRATED PTE LTD. |
| 2001 | MIC-Tech (WuXi) Co., Ltd. was established and in charge of equipment manufacturing business in May.
MIC-Tech Shanghai Corp. Ltd. was established and in charge of trading business in China. |
| 2001 | Increased paid-in capital of NT\$ 60 million and converted retained earnings of NT\$ 172,39 million into paid-in capital in May. |
| 2001 | Hsin Chu branch office was established in July. |
| 2001 | Tao Yuan bonded warehouse was established and operated in August. |
| 2001 | Received ISO 9001 certification (modified version by year 2000) in September. |
| 2001 | Exclusive agent for selling semiconductor backend packaging detection equipment in Taiwan was licensed in October.
Kaohsiung representative office was established to provide customers in time service.
Tainan bonded warehouse was established to speed up material supply for production. |
| 2001 | Beijing branch of MIC-Tech (WuXi) Co., Ltd. was established in December. |
| 2001 | Acquired Shanghai Puritic Co., Ltd. to expand business in China in January. |
| 2002 | Officially listed on Emerging Stock Market in April. |
| 2002 | Appointed 2 independent directors and 1 independent supervisor in May. |

2002 Increased paid-in capital of NT\$ 50 million and converted retained earnings of NT\$ 157.027 million into paid-in capital in June.

2002 Officially listed on OTC Market in October.

2003 Issued MIC's 1st domestic unsecured convertible bond of NT\$ 500 million in January.

2003 Started building Hu Kou factory in February.
Fuzhou Jiwei System Integrated Co., Ltd. was established to expand the business in South China.

2003 Got approval to set up official office in Tainan Science Park in May.

2003 MIC-Tech Electronics Engineering Corp. was established in June.

2003 Executed retained earnings of NT\$ 189.28175 million transferred to paid-in capital in August.

2003 Tainan Science Park branch office was established in August.

2003 Hu Kuo factory was official opened in September.

2003 Started building Shan Hua factory in October.

2003 Issued MIC's 2nd domestic unsecured convertible bond of NT\$ 580 million in October.

2004 Converted unsecured convertible bond of NT\$ 6.09951 million into paid-in capital in February.

2004 Started building Tainan Science Park factory in March.

2004 Worked as OEM of US equipment supplier in March.

2004 Officially listed on Taiwan Security Exchange Market in May.

2004 Executed retained earnings of NT\$ 195.50165 million transferred to paid-in capital in August.

2004 Shan Hua factory was officially opened and operated in September.

2004 MIC-TECH GLOBAL CORP. was established in October.

2005 Converted unsecured convertible bond of NT\$ 178,570 into paid-in capital in January.

2005 Tainan Science Park factory was officially opened and operated in May.

2005 Wu Xi factory was officially opened and operated in June.

2005 Executed retained earnings of NT\$ 226.95569 million transferred to paid-in capital in August.

2005 Relocated headquarter to Nangang Soft Park in November.

2006 Worked as OEM of US well-known flat panel display equipment supplier.
Worked as OEM of Japan Lasertech in March.

2006 Executed retained earnings of NT\$ 207.26012 million transferred to paid-in capital in September.

2006 Phase I of Tou Fen factory was officially opened and operated in November.

2007 Received ISO 14001 and OHSAS 18001 certification in January.

2007 Cancelled registry of treasury stock and decreased paid-in capital of NT\$ 13.41 million in September.

2007 Converted unsecured convertible bond of NT\$ 30,760 into paid-in capital in December.

2008 Started building Phase II of Tainan Science Park factory in January.

2008 Phase II of Tainan Science Park factory was officially opened and operated in July.

2009 Marketech International Sdn. Bhd. was established for business expansion in Malaysia in February.

2009	Executed capital surplus of NT\$ 146.90251 million transferred to paid-in capital in October.
2010	MIC-Tech Viet Nam Co., Ltd. was established for business expansion in Vietnam in January .
2010	Increased paid-in capital of NT\$ 1.51 million through employees' subscription of new common stocks in March.
2011	Increased paid-in capital of NT\$ 15.21 million through employees' subscription of new common stocks in April.
2011	Transferred semiconductor thermal process from Japan HiKE in June.
2011	Recognized as certified AEO company by Custom Administration, Minister of Finance in June.
2011	Increased paid-in capital of NT\$ 3.48 million through employees' subscription of new common stocks in July.
2011	Hoa Phong Marketech Co., Ltd. was established for business expansion in Vietnam in July.
2011	Increased paid-in capital of NT\$ 2.95 million through employees' subscription of new common stocks in October.
2012	Increased paid-in capital of NT\$ 5.8 million through employees' subscription of new common stocks in April.
2012	Increased paid-in capital of NT\$ 0.89 million through employees' subscription of new common stocks in July.
2013	Increased paid-in capital of NT\$ 0.33 million through employees' subscription of new common stocks in April.
2013	Phase III of Tou Fen factory was officially opened and operated in June.
2014	Marketech Engineering Pte. Ltd. was established in January.
2014	Increased paid-in capital of NT\$ 0.13 million through employees' subscription of new common stocks in April.
2014	Marketech Integrated Construction Co., Ltd. was established for business expansion in Myanmar in April.
2015	Established the subsidiary (Marketech Integrated Manufacturing Company Limited) in Myanmar in March.
2015	Started to build factory in Myanmar in December.
2015	Received the SA8000 certification in December
2016	PT Marketech International Indonesia set-up
2016	Central Taiwan Science Park Branch set-up
2017	Converted unsecured convertible bond of NT\$ 64.32 million into paid-in capital in April.
2017	Marketech Netherlands B.V. set-up
2017	Converted unsecured convertible bond of NT\$ 35.36 million into paid-in capital in July.
2017	Converted unsecured convertible bond of NT\$ 4.09 million and Employee stock options of NT\$ 10.25 million into paid-in capital in October.
2018	Converted unsecured convertible bond of NT\$ 1.46 million and Employee stock options of NT\$ 3.97 million into paid-in capital in January.
2018	Converted unsecured convertible bond of NT\$ 8.72 million and Employee stock options of NT\$ 3.73 million into paid-in capital in April.

2.2 Merger and acquisition (up to date) : None

2.3 Invested entities (up to date)

Unit : In Thousand of New Taiwan Dollars; %

Invested	Investee	Functions	December 31, 2017			March 31, 2018		
			Investment Amount	Shareholding Composition	Book Value	Amount of Original Investment	Shareholding Composition	Book Value
Marketech International Corp.	Market Go Profits Ltd.	Engaged in holding and reinvestment affairs	1,245,570	100.00%	1,038,755	1,245,570	100.00%	1,028,976
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Engaged in automatic supply systems business in semiconductor industry	192,522	100.00%	(6,081)	192,522	100.00%	(6,172)
Marketech International Corp.	Headquarter International Ltd.	Engaged in holding and reinvestment affairs	42,475	100.00%	37,958	42,475	100.00%	37,109
Marketech International Corp.	Tiger United Finance Ltd.	Engaged in holding and reinvestment affairs	46,475	100.00%	37,107	46,475	100.00%	36,128
Marketech International Corp.	MIC-Tech Global Corp.	Engaged in international business	19,147	100.00%	7,706	19,147	100.00%	8,108
Marketech International Corp.	MIC-Tech Viet Nam Co., Ltd.	Engaged in selling plant equipments & supplies and providing installation & maintenance service	39,345	100.00%	30,802	39,345	100.00%	30,171
Marketech International Corp.	Marketech Co. Ltd.	Engaged in engineering contracting and maintenance service	29,922	100.00%	4,002	29,922	100.00%	2,651
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Engaged in mechanical and electrical installation and engineering business	10,129	100.00%	2,448	10,129	100.00%	4,822
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Design, production and assembly of automated production machine, equipment and component	438,298	100.00%	396,325	438,298	100.00%	391,140
Marketech International Corp.	eZoom Information, Inc.	Engaged in development, sales and consultancy of MIS software & hardware	67,737	100.00%	31,690	97,737	100.00%	54,855
Marketech International Corp.	Glory Technology Service Inc.	Engaged in sales and installation of telecom equipment	31,019	34.11%	46,153	31,019	29.24%	46,009
Marketech International Corp.	MIC Techno Co., Ltd.	Engaged in sales of panel equipment and material	2,000	20.00%	1,849	2,000	20.00%	1,845
Marketech International Corp.	PT Marketech International Indonesia	international trade on machinery and components.	38,042	99.92%	35,649	38,042	99.92%	34,792
Marketech International Corp.	Marketech International Sch. Bhd.	Engaged in engineering contracting and maintenance service	44,262	51.12%	29,533	45,476	51.12%	32,575
Marketech International Corp.	ADAT Technology CO., LTD.	Software research and development, application and services; electronic information provisioning and equipment sales	10,000	83.33%	6,029	10,000	83.33%	4,582
Marketech International Corp.	Marketech Netherlands B.V.	Machinery, equipment, parts and related international trade operation and technical services	10,671	100.00%	10,453	10,671	100.00%	9,825
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Engaged in holding and reinvestment affairs	1,240,073	100.00%	1,037,010	1,240,073	100.00%	1,027,270
Marketech	Marketech	Engaged in engineering contracting and maintenance	42,319	48.88%	29,378	43,480	48.88%	32,284

Integrated Pte Ltd.	International Sdn. Bhd.	service						
Marketch Engineering Pte Ltd.	Marketch Integrated Construction Co., Ltd.	Engaged in mechanical and electrical installation and engineering business	8,569	95.00%	1,906	8,569	95.00%	4,313
MIC-Tech Ventures Asia Pacific Inc.	Russky H.K. Limited	Engaged in holding and reinvestment affairs	34,551	100.00%	(16,196)	34,551	100.00%	(22,025)
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co. Limited	Engaged in holding and reinvestment affairs	31,422	100.00%	5,636	31,422	100.00%	5,582
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Engaged in holding and reinvestment affairs	95,290	100.00%	31,455	95,290	60.00%	32,530
MIC-Tech Ventures Asia Pacific Inc.	Leader Fortune Enterprise Co., Ltd.	Engaged in holding and reinvestment affairs	8,990	31.43%	4,115	8,990	31.43%	5,049
Russky H.K. Limited	PT Marketch International Indonesia	international trade on machinery and components	32	0.08%	30	32	0.08%	29

Note 1: The above investments are recognized by equity method.

2.4 Reforming in the most recent year and up to the printing of the annual report: none.

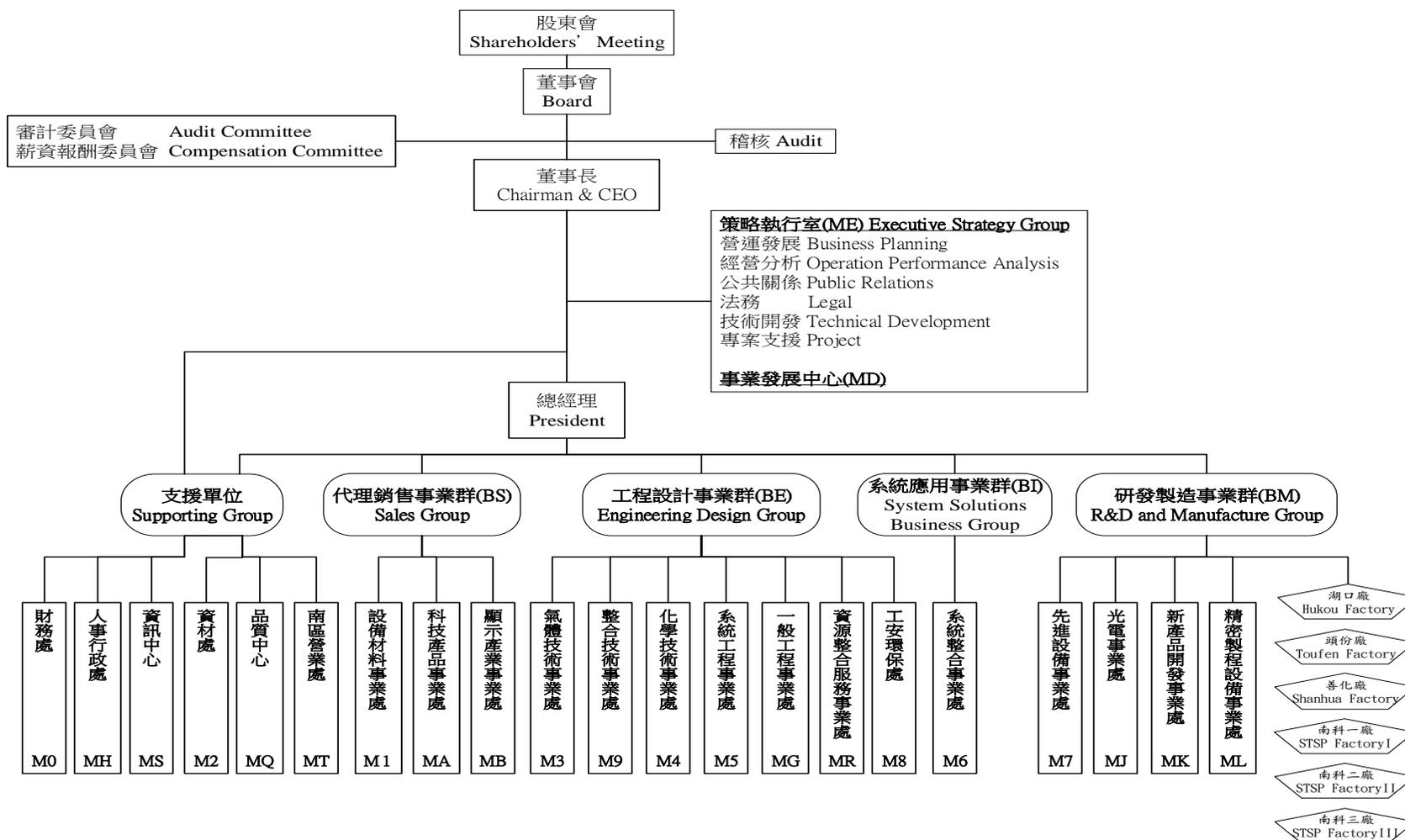
2.5 A large amount of transfer and replacement of shareholding by directors, supervisors and big shareholders with more than 10% shares in the most recent year and up to the printing of the annual report : none.

2.6 A huge change in management right, operation mode or business, and significant issues which affects the rights of shareholders and the company: none.

Part 3. Corporate Governance Report

1. Organization

1.1 Organization Chart



1.2 Major corporate functions

Division	Functions
Executive Strategy office	Analyzes the overall business and schemes the business strategy, Assesses the investment projects and the new product line Implements and improves robust management practices. Plans, co-ordinates and executes assigned projects. Conforms to all business activities with legal compliance. Establishes and maintains public relations, and coordination among division.
Enterprise Development Center	Integrate and develop the various offshore subsidiaries' sales agent, engineering design (the technology, general, transportation, petrochemical, and the like), system application, manufacture, trade development and related five major group businesses.
Audit Office	Conducts inspection and evaluates internal controls within various divisions. Assists subsidiaries with internal audit tasks. Evaluates the robustness of internal control systems and related policies. Determines whether the internal control systems continues to be effective, and assesses the progress made by each department, while offering suggestions to improve the company's operations
Finance & Accounting Division	Financing deployment and capital management Stock affairs Accounting transactions management Financial reports and analysis Tax planning and filing
Equipment & Material Division	Provides the hi-tech manufacturing process and testing equipment and supplies Provides in time after service, technical support, and maintenance.
Logistics Division	Responsible for the purchasing, shipping and warehousing of materials, equipment and tools. Develops a robust supplier system that facilitates order tracking and strategic purchases Handles processes such as import, export, and bonded warehouses.
Gas Engineering Division	Provides total solution of UHP gas system which includes gas piping and equipment. Provides gas cabinet (GC) and valve manifold box (VMB) certified with SEMI. Represents variety of gases, chemicals, equipment and consuming parts from worldwide. Specialized in UHP gas/ liquid system module OEM and ODM.
Chemical Engineering Division	Turnkey projects for Central Chemical Supply System (CCSS), including system design, manufacturing, construction and installation Testing and providing on-site maintenance service for equipment Replacement of chemical and gas supply materials Operations of the monitoring and control system.
System Engineering Division	Constructs cleanrooms for local high-tech and bio tech industries; provides construction services for electromechanical engineering projects such as planning, design, supervision and turnkey solutions. Constructs pumping station facilities, waste water treatment facilities, pumping station automation, air pollution control and other environmental protection facilities. Represents boiler and waste solvents. Provides installation services for energy and recycle facilities. Acted as the agent of Japan's A-Win wind turbine facility to provide the installation service of power and resource regeneration facilities.
Optoelectronics Division	Design and production of automated LCD production facilities Production of LCD production checking facilities as an OEM Design and production of LED production facilities Software design and development Design and production of automated logistics or specialized machines for biotechnology and other industries.
System Integration Division	The surveillance of factory services for high-technology and power-generation industry Facility automation

Division	Functions
	Production surveillance design, construction, installation and tests
Multimedia and Inspection Division	The development services of 3C / multimedia core technology, application technology and application products.
ISEP Division	Enhances employees' safety and health within the company;implements an OHSAS 18001-compliant occupational health and safety system. Improves environmental management within the company;implements an ISO 14001-compliant environmental management system.
Turnkey Engineering Division	Spacial planning and project schedule management for the integration of high-technology industry, including removing, moving in, installing, planning, designing and constructing the facilities as well as the turnkey testing for the distribution system of the secondary supply machine. Supplying factories and customers with the demand of building or reconstructing factory offices the infrastructure (civil engineering, machinery and power-generating equipment, air-conditioning, internal installation, water supply and discharge etc.), clean room and production system. From the design, planning, construction management and the transfer after launched the operations.
Hi-Tech Products Division	Provides production and testing equipment, instruments, parts and materials for Semiconductor Back-end packaging and testing, and Light-Emitting Diode Provides after service, technical support and maintenance services.
Display Industry Division	Provides production for flat panel displays, color filter and testing equipment, instruments, parts and materials Provides after service, technical support and maintenance service.
Human Resource & Administration Division	The planning, establishment and execution of the group's human resource, general affairs and administration related system and management.
Information & System Division	Development and management of information systems and networks. Responsible for the development, maintenance and security management of various information systems and databases. Software access control, introduction and maintenance.
Q.C. Center	Develops, implements, enhances and improves ISO 9001 quality management system.
Southern Taiwan Representative Division	Coordinating the business development of southern market, coordinating the business integration internally and providing supports for the south and administration / general affairs.
General Engineering Division	Provides machinery and electric engineering services include design 、consultant & construction of petro-chemical plant 、traditional industry 、intelligent buildings engineering 、hospital building 、office 、shopping mall 、hotel and transportation system.
Resources Services Division	Handles all engineering demand involving in consulting, planning, design, maintenance, repair, or alteration. Provides services including equipment relocation, trading or sales of new and used equipment, and relocation implementation.
Advanced Manufacturing Division	The OEM production of LCD monitor production and testing facilities The OEM production of semiconductor production related facility module The OEM production of solar energy related production facility modules.
New Product Development Division	Expanding and developing the category and quantity of testing facilities, production equipments, passive elements, LED, IC and other new products.
Precision Process Equipment Enterprise Division	The flat monitor processing and LCD production automation equipment's design/manufacture, the flat monitor processing and LCD process screening equipment's OEM manufacture; the LED process equipment's design/manufacture; the CIM software design development; the biotech industry and other industries' logistics and dedicated servers' automated design/manufacture.

2.Directors, Supervisors, President, Vice President, Assistant Vice President and Department Heads

2.1 Information on the directors and supervisors

2.1.1 Information on the directors and supervisors (I)

April 01, 2018

Unit: NTD per thousand; shares; %

Position (Note 1)	Nationality or registered origin	Name	Gender	Appointed (incumbent) date	Tenure	Initial appointed date (Note 2)	Shareholdings when appointed		Initial appointed (incumbent) date		Shareholding held by spouse, minor offspring		Shareholding held by the name of others		Major exposure (education)	Position currently also serve at the company and other companies	Related to other executive, director or auditor as the spouse or blood relative within two tiers		
							Share count	Share-holdi ng ratio	Share count	Share-holdi ng ratio	Share count	Share-holdi ng ratio	Share count	Share-holdi ng ratio			Title	Name	Relation
Director	Republic of China	Ji Shuan Investment co representative: SungKao,Hsiu- Ming	F	105/05/31	3	90/10/22	19,005,795	11.51%	19,005,795	10.66%	0	0.00%	0	0.00%	Taiwan University EMBA international business administration master Institute for Industrial Research electronics research institute section head	Chairman and CEO, Marketech International Corp. Director, WTMicroelectronics Chairman, Machrotec Technology Corp. Chairman, CHI HSUAN INVESTMENT CO., LTD. Director, Acter Co., Ltd director Chairman, Sopower technology Corp. Chairman, MIC-Techno Co., Ltd Supervisor, Probeleader Co., Ltd	Nil	Nil	Nil
Director	ROC	Ji Shuan Investment co representative: Chuang, Yen-shan	M	105/05/31	3	96/6/15	19,005,795	11.51%	19,005,795	10.66%	0	0.00%	0	0.00%	Texas State University school of electrical engineering master Nanya Technology co president Wangeng Optoelectronics co chairman	Director, Marketech International Corp. Director, TQ Technology Corp.	Nil	Nil	Nil
Director	ROC	Yi Wei Investment co representative: Lin Yue-Yeh	M	105/05/31	3	90/10/22	12,647,112	7.66%	12,647,112	7.09%	0	0.00%	0	0.00%	Cheng Chi University business administration research institution master IFR Western US Office superintendent IRIF electronics research institute section head	President and director, Marketech International Corp. Chairman, YI WEI INVESTMENT CO., LTD. Supervisor, MIC-Techno Co., Ltd Chairman, Probeleader Co., Ltd Chairman, eZoom Information Inc.	Nil	Nil	Nil
Director	ROC	Ma,Kuo-Peng	M	105/05/31	3	90/10/22	1,674,422	1.01%	1,458,422	0.82%	0	0.00%	0	0.00%	Qing Hua University E&M master Chiao Tong University electrical engineering doctoral program study Texas Semiconductors outsourced packaging department manager	Supervisor, Marketech International Corp. Chairman, Dyma Advance Technology Corp. Director, Sopower technology Corp. Director, Taiwan Puritic Corp.	Nil	Nil	Nil
Director	ROC	Hsiao, Ming-Chih	M	105/05/31	3	91/05/22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Dong Hai University school of accounting B.A. De An Development co vice president	Director, Marketech International Corp. General Manager, Mayer Steel Pipe Corp. Director, Director, American Control Corp. Independent Director, Zenitron Corp. Independent Director, Universal Vision Biotechnology Independent Director, Star travel Corp.	Nil	Nil	Nil
Director	ROC	Cheng Jin-Chuan	M	105/05/31	3	90/10/22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Dong Hai University school of Industrial Engineering B.A. Cheng Chi University business administration EMBA master study	Director, Marketech International Corp. Independent Director, 3S Silicon Tech., Inc. Supervisor, Taiwan Special Chemicals Corporation	Nil	Nil	Nil
Independent director	ROC	Lin Hsiao-Ming	M	105/05/31	3	105/05/31	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MBA, National Taiwan University General Manager, Taiwan Finance Corp. General Manager, International Bills Finance Corp	Independent Director, Marketech International Corp Chairman, Taiwan Finance Corp.	Nil	Nil	Nil
Independent director	ROC	Wu Chung-Pao	M	105/05/31	3	98/6/19	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Taiwan University EMBA international business administration section master	Independent Director, Marketech International Corp Chairman, Protech Systems Co., Ltd. Director, Chenbro Micom Co., Ltd. Independent Director, Trade-Van Information Services, Co., Ltd. Director, CPC Corporation, Taiwan Independent Director, EVE Airways Corporation	Nil	Nil	Nil
Independent director	ROC	Lu Zong-Jenn	M	105/05/31	3	96/6/15	365,286	0.22%	347,286	0.19%	0	0.00%	0	0.00%	Chung Hsing University B.A. Chin Cho co president	Independent Director, Marketech International Corp Chairman, Kisso Co.,Ltd.	Nil	Nil	Nil

* Which pertains to the representative's personal shareholding count and shareholding ratio.

Note 1: The institutional shareholder is to enlist the name of the institutional shareholder and its representative separately (as an institutional shareholder representation, the name of the institutional shareholder shall be noted), and shall also fill out the below table I.

Note 2: To enter the time first serving as company director or auditor, and if there is an interruption, please footnote the explanation.

Note 3: When having worked at the auditing CPAs Office or its affiliated enterprise in relevant exposure prior to serving the current position, the position served and the responsible job description shall be described.

2.1.2 Major shareholders as institutions shareholders

Table I: Major shareholders as institutional shareholders

April 01, 2018

Name of institutional shareholders (Note 1)	Major shareholders as institutional investors (Note 2)
Ji Shuan Investment Company	SungKao,Hsin-Ming (16.06%), Sung Bing-zhong (23.42%), Sung Feng-pei (22.56%), Tao Zhe-yi (0.89%), Kao,Hsiu-Ming (0.45%), Ji Yung Investment Company (18.31%), Bai Shuan Investment Company (18.31%)
Yi Wei Investment Company	Lin Yu-Yeh (95%), Chen Wen-shu (2.5%), Lin Yu-jeh (0.5%), Lin Yu-yao (0.5%), Chen Lian-zhe (0.5%), Zheng Li-jen (0.5%), Feng Shu-jen (0.5%)
Ji Yung Investment Company	Sung Bing-zhong (94%), SungKao,Hsin-Ming (3%), Sung Feng-pei (3%)

Note 1:When a director or supervisor is of an institutional share representative, the name of said institutional shareholder shall be entered.

Note 2:To enter the name of said institutional entity's major investors (the top ten in shareholdings by percentage) and their shareholding ratio.

Table II: Major shares of institutional investors as institutional shareholders

April 01, 2018

Name of institutional shareholders (Note 1)	Major shareholders as institutional investors (Note 2)
Ji Yung Investment Company	Sung Bing-zhong (94%), SungKao,Hsin-Ming (3%), Sung Feng-pei (3%)
Bai Shuan Investment Company	Sung Feng-pei (94%), Sung Bing-zhong (5%), SungKao,Hsin-Ming (1%)

Note 1:When one of the major shareholders in the above table is of an institutional shareholder, the name of said institutional shareholder shall be entered.

Note 2:To enter the name of said institutional investor's major shareholders (the top ten in shareholdings by percentage) and their shareholding ratio.

2.1.3 Information on the directors and supervisors (II)

April 01, 2018

Name	Criteria	Whether commanding five years or longer of working experience and the below professional qualifications			State of independent conformance (Note 1)										also serving as other companies' independent directorship count
		As business, law, finance, accounting or company business required relevant public/private college / university lecturer or higher	As judge, prosecutor, legal counsel, CPA or other professional certified technician required of the company operation and accredited with professional certification	Business, law, finance, accounting or company operation related working experience	1	2	3	4	5	6	7	8	9	10	
Ji Shuan Investment co Representative: SungKao,Hsin-Ming	Nil	Nil	✓	Nil	Nil	Nil	✓	Nil	Nil	Nil	✓	✓	Nil	Nil	
Ji Shuan Investment co Representative: Chuang, Yen-Shan	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	Nil	✓	✓	Nil	Nil	
Yi Wei investment co Representative: Lin Yue-Yeh	Nil	Nil	✓	Nil	Nil	Nil	✓	Nil	Nil	Nil	✓	✓	Nil	Nil	
Ma ,Kuo-Peng (Note 2)	Nil	Nil	✓	✓	Nil	✓	✓	✓	Nil	Nil	✓	✓	✓	Nil	
Hsiao, Ming-Chih (Note 2)	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Cheng Jin-Chuan (Note 2)	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Lin, Hsiao-Ming	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil	
Wu ,Chung-Pao	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Lu ,Zong-Jenn	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil	

Note 1: When various directors, supervisors who conform to the following criteria two years prior to being appointed and during the period of whose tenure, please place a checkmark in the blank box under various criteria codes.

(1)Not as a hired help of the company or its affiliated enterprises.

(2)Not as a director, supervisor to the company's affiliated enterprise (except where it is of a company independent director as the company's parent firm, of a subsidiary the company holds, directly or indirectly, over fifty percent of the voting rights.

(3)Not as the individual and whose spouse, minor offspring, or as a neutral person shareholder holding over one hundred percent of the company total shares issued, or as top ten shareholders.

(4)Not as the spouse to those enlisted under the preceding par III, blood relatives within two tiers, or direct blood relatives within five tiers.

(5)Not as the director, auditor or hired help of an institutional shareholder holding over five percent of the company's total shares issued, or as top five institutional shareholders' director, auditor or hired help by shareholding.

(6)Not as the director (managing director), auditor (managing auditor), manager, or shareholder holding over five percent of the shares of a specific company or entity with financial or business transaction with the company.

(7)Not as the professional offering business, legal, financial, accounting and related services or consulting to the company or its affiliated enterprises, the business owner, partner, director (managing director), auditor (managing auditor), manager and their spouse of a sole ownership, partnership, incorporated entity or organization, except as a member of the payroll remuneration council for exercising its fiduciary duties per article 7 of the stock launching or securities dealers business office trading company's payroll remuneration council set up and exercising its fiduciary duty measures.

(8)Not related to the other directors as a spouse or blood relation within two tiers.

(9)Not involved in any of the circumstances specified under article 30 of the Corporate Law.

(10)Not nominated as a governmental or institutional shareholder, or as the representative as stipulated under article 27 of the Corporate Law. °

Note 2:Our company re-elected the Board of Directors on May 31, 2016. All the independent directors formed the Audit Committee to replace the functions of supervisors.

2.2 Information on the president, vice president, senior manager, various departmental and branch organization supervisors

April 01, 2018

Unit: NTD per thousand; share; %

Title (Note 1)	Nationality	Name	Gender	Appointed (incumbent) date	Shareholdings held		Shareholdings held by spouse, minor offspring		Shareholdings held under the name of others		Main exposure (education) (Note 2)	The position who also currently serves at other companies	Managers related as spouse or within two tiers of blood relation		
					Share count	Share-hold ing ratio	Share count	Share-hold ing ratio	Share count	Share-hold ing ratio			Title	Name	Relation
Chairman and CEO	ROC	Sung Kao, Hsin-Ming	F	78/01/01	4,010,513	2.25%	0	0.00%	0	0.00%	Taiwan University EMBA int'l business administration section MBA, Institute for Industrial Research electronics laboratory section head	Wen Hua Technology Corp dire tor Shu Shuan Investment co chairman Ji Shuan Engineering Technology Co director Sheng Hui Engineering Technology Co chairman Hua Shuan Technology Co chairman Li Wei Electronics Co auditor	Nil	Nil	Nil
President	ROC	Lin Yue-Yeh	M	93/07/01	8,818,782	4.95%	0	0.00%	0	0.00%	Cheng Chi University business administration research institute master Institute for Industrial Research western USA office superintendent IFIE electronics research institute section head	Yi Wei Investment Co chairman Hua Shuan Technology Co auditor Li Wei Electronics Corp chairman Chairman, eZoom Information ,Inc.	Nil	Nil	Nil
Group GM	ROC	Chen Jian-tsuen (Note 3)	M	99/04/01	75,000	0.04%	0	0.00%	0	0.00%	Tamkang University school of applied physics B.A.	Nil	Nil	Nil	
Group VGM	ROC	Wei Jian-ming	M	99/04/01	0	0.00%	0	0.00%	0	0.00%	State of Connecticut University USA information science doctoral Rainbow QX Technologies Corp president Axonet Inc president and CEO	Nil	Nil	Nil	
Divison GM	ROC	Huang Zhong-wen (Note 4)	M	99/02/01	66,283	0.04%	0	0.00%	0	0.00%	Murray State University USA business administration research institute master Asia Word Hotel departmental superintendent	Nil	Nil	Nil	
Divison GM	ROC	Chang Ruei-ru (Note 4)	M	99/02/01	58,348	0.03%	0	0.00%	0	0.00%	Taiwan Technology University EMBA global strategy section master China Precision Diecast co technical section head Jia Rong Company sales superintendent	Nil	Nil	Nil	
Divison VGM	ROC	Li Ruei-wen (Note 5)	M	106/02/01	0	0.00%	31,700	0.02%	0	0.00%	National Chiao Tung University Department of Communications Engineering B.A. Applied Materials Taiwan Quality Assuranc manager.	Nil	Nil	Nil	
Divison VGM	ROC	Lin Chih-jen (Note 6)	M	107/04/11	57,000	0.03%	45,000	0.03%	0	0.00%	Master, Graduate School of Environmental Engineering, National Cheng Kung University	Nil	Nil	Nil	
Divison VGM	ROC	Lu Chien-kuo (Note 6)	M	107/04/11	35,029	0.02%	0	0.00%	0	0.00%	B.A., Department of Electronic Engineering, Minghsin University of Science and technology EMBA Accreditation program, National Chiao Tung University Graduate School of Biotech Healthcare Management, National Yang-Ming University	Nil	Nil	Nil	
Divison VGM	ROC	Hsu Ta-chang (Note 6)	M	107/04/11	20,000	0.01%	0	0.00%	0	0.00%	Master, Graduate School of Civil Engineering, Texas A&M University	Nil	Nil	Nil	
Divison VGM	ROC	Lo Ssu-yuan (Note 6)	M	107/04/11	0	0.00%	0	0.00%	0	0.00%	B.A., Department of Mechanical Engineering, Hsiuping University of Science and Technology Deputy Section Head, Rexon Industrial Corporation Limited	Nil	Nil	Nil	

Title (Note 1)	Nationality	Name	Gender	Appointed (incumbent) date	Shareholdings held		Shareholdings held by spouse, minor offspring		Shareholdings held under the name of others		Main exposure (education) (Note 2)	The position who also currently serves at other companies	Managers related as spouse or within two tiers of blood relation		
					Share count	Share-hold ing ratio	Share count	Share-hold ing ratio	Share count	Share-hold ing ratio			Title	Name	Relation
Divison VGM	ROC	Tseng Lieh-huan g (Note 6)	M	107/04/11	15,000	0.00%	0	0.00%	0	0.00%	Master, Graduate School of Civil Engineering, National Taiwan University Senior Manager, Gamuda Bhd., Malaysia Manager, Transport Enterprise Department, Pacific Engineers & Constructors Ltd. Manager, Construction Administration, Dong Hung Construction Co., Ltd.	Nil	Nil	Nil	Nil
GM Finance	ROC	Hsieh Ming-ju	F	87/07/01	491,459	0.28%	0	0.00%	0	0.00%	Taipei Business College school of accounting and statistics B.A. Lung Pu Group financial specialist Cathay group administrator	Nil	Nil	Nil	Nil
Director, Finance & Accounting Divison	ROC	Zhong Chi-wen	F	95/04/21	68,973	0.04%	0	0.00%	0	0.00%	Soochow University accounting research institute master Daiwa Securities co assistant manager	Nil	Nil	Nil	Nil
Chief Audit	ROC	Lin Ya-qing	F	105/09/01	10,000	0.01%	0	0.00%	0	0.00%	Soochow University school of business administration B.A. KPMG CPA Office assistant manager TransAsia Airways senior accountant	Nil	Nil	Nil	Nil

Note 1: It shall include information on the president, vice presidents, senior managers, various departmental and branch organizational executives, and those with a position comparable to the president, vice president and senior manager, regardless of the job title, shall also be disclosed.

Note 2: When having worked in a certified public accountants office or related enterprise with pertinent exposure related to the current position, it shall describe the individual's job title and responsible job description.

Note 3: Mr. Chen Chien-Tun has on June 1, 2017 been promoted to Enterprise Group President.

Note 4: Mr. Huang Tsung-Wen and Chang Jui-Ju have on April 11, 2018 been promoted to Enterprise Division Presidents.

Note 5: Mr. Li Ruei-Wen has on February 1, 2017 been promoted to Enterprise Division Vice President.

Note 6: Mr. Lin Chih-Jen, Lu Chieh-Kuo, Hsu Ta-Chang, Lo Ssu-Yuan and Tseng Lien-Huang have on April 11, 2018 been promoted to Enterprise Division Vice Presidents.

3. The remunerations dispensed to the Directors, Supervisors, President and Vice President in the most recent fiscal year

The company, when in one of the following circumstances, shall disclose the remunerations dispensed to its directors or auditors individually; and the rest may adopt the means of a consolidated tally as coordinated with a scale by which to disclose the names, or by means of disclosing the names and remunerations individually (when adopting individual disclosure, please enter individually the position, name and amount, without having to fill out a table of remunerations by scale):

- 3.1 When there is after-tax deficit in the most recent two years' individual entity or individual financial statements, it is a must to reveal every director and supervisor's remuneration, except those that already have after-tax net profit and the said profit is enough to cover the deficit.
- 3.2 If the circumstance of shares held by the directors should fall short for three consecutive months or longer in the most recent year, the remunerations of individual directors shall be disclosed; when the circumstance of shares held by the auditors should fall short by three consecutive months or longer in the most recent years, the remunerations of individual auditors shall be disclosed.
- 3.3 If the directors or auditors' average mortgaging percentage exceeds 50% in any given three months in the most recent year, the particular month of the remunerations of the individual directors or auditors with a mortgaging ratio exceeding 50% shall be disclosed.

(Note: the entire directors' monthly average mortgaging ratio: the entire directors' mortgaged share count / the entire directors' shareholdings (including the retained voting right trust share count); the entire auditors monthly average mortgaging ratio: the entire auditors mortgaging share count / the entire auditors shareholdings (including the retained voting right trust share count).

- 3.4 When the entire directors and auditors collecting the directors and auditors remunerations in all companies stated in the financial statements to the after-tax net earnings should exceed two percent, and that the remunerations the individual directors or auditors collect also exceed NT\$15 million, the individual remunerations of the directors or auditors shall be disclosed.

In the absence of any of the foresaid par 3.1 to par 3.4 circumstances among company directors and auditors, the company has therefore adopted the means of consolidated tally, as coordinated with scale in disclosing the names.

Remunerations Scale Table

Year 2017

Remunerations dispensed to individual company directors by scale	Name of the directors			
	Total sum of the remunerations of the first four items (A+B+C+D)		Total sum of the first seven items(A+B+C+D+E+F+G)	
	The company (Note 8)	All companies stated in the financial statements (Note 9) (I)	The company (Note 8)	All companies stated in the financial statements (Note 9) (J)
Up to \$2,000,000	Sung Kao, Hsin-Ming, Chuang, Yen-Shan, Lin, Yue-Yeh, Ma, Kuo-Peng, Hsiao, Ming-Chih, Cheng, Jin-Chuan, Lin, Hsiao-Ming Wu, Chung-Pao, Lu, Zong-Jenn,	Sung Kao, Hsin-Ming, Chuang, Yen-Shan, Lin, Yue-Yeh, Ma, Kuo-Peng, Hsiao, Ming-Chih, Cheng, Jin-Chuan, Lin, Hsiao-Ming Wu, Chung-Pao, Lu, Zong-Jenn,	Sung Kao, Hsin-Ming, Chuang, Yen-Shan, Lin, Yue-Yeh, Ma, Kuo-Peng, Hsiao, Ming-Chih, Cheng, Jin-Chuan, Lin, Hsiao-Ming Wu, Chung-Pao, Lu, Zong-Jenn,	Sung Kao, Hsin-Ming, Chuang, Yen-Shan, Lin, Yue-Yeh, Ma, Kuo-Peng, Hsiao, Ming-Chih, Cheng, Jin-Chuan, Lin, Hsiao-Ming Wu, Chung-Pao, Lu, Zong-Jenn,
\$2,000,000 (inclusive) ~ \$5,000,000 (preclusive)	Nil	Nil	Nil	Nil
\$5,000,000 (inclusive) ~ \$10,000,000 (preclusive)	Nil	Nil	Kao, Hsiu-Ming, Lin Yu-yeh	Kao, Hsiu-Ming, Lin Yu-yeh
\$10,000,000 (inclusive) ~ \$15,000,000 (preclusive)	Nil	Nil	Nil	Nil
\$15,000,000 (inclusive) ~ \$30,000,000 (preclusive)	Nil	Nil	Nil	Nil
\$30,000,000 (inclusive) ~ \$50,000,000 (preclusive)	Nil	Nil	Nil	Nil
\$50,000,000 (inclusive) ~ \$100,000,000 (preclusive)	Nil	Nil	Nil	Nil
Over \$100,000,000	Nil	Nil	Nil	Nil
Total	9	9	9	9

* As the content of the remunerations disclosed in the table varies from the concept of income by the Income Tax Law, thus the purpose of the table has been for the purpose of information disclosure, and is not intended for tax levy purpose.

Note 1: The name of the directors shall be enlisted separately (of institutional shareholders, the institutional shareholder name and the representative shall be enlisted separately), with amount of various payouts to be disclosed in a consolidated manner. If the directors also doubling as the president or vice presidents, the table and the below table (3-1) or (3-2) shall be entered.

Note 2: Which refers to the most recent year's directors' remunerations (including the directors remunerations, position stipends, resignation payout, various bonuses, incentive payouts and the like).

Note 3: Referst to directors' remuneration distributed upon the approval of Board of Directors of the year.

Which pertains to entering the directors' remuneration amount in the proposed earnings distribution proposal as motioned through the management board and voted before the shareholders meeting. The distribution of the remunerations company 2014 earnings distribution is formulated and finalized by the management board, and is motioned through before the 2015 shareholders' meeting.

Note 4: Which pertains to the most recent year's directors' pertinent business execution expenditures (including the travel expenses, special dispensed expenditures, various subsidies, dormitory, car allocation and related tangible goods allocation and so forth). When allocating with housing, car, other transportation means or exclusive personal expenditures, it shall disclose the nature of the asset allocated, the actual or market value actuated rent, fuel and other payouts. Also when allocating with a driver, please include in the footnote explaining pertinent remuneration the company pays said driver, but excluding from the remunerations.

Note 5: Which refers to the most recent year in which the directors doubling as employees (including doubling as the president, vice president, other managers and employees) have collected of the wages, position stipends, resignation payouts, various bonuses, incentive payouts, travel expenses, specially dispensed expenditures, various subsidies, dormitory, car allocation and related tangible goods allocation and the like). When allocating with housing, car, other transportation means or exclusive personal expenditures, it shall disclose the nature of the asset allocated, the actual or market value actuated rent, fuel and other payouts. Also when allocating with a driver, please include in the footnote explaining pertinent remuneration the company pays said driver, but excluding from the remunerations. Company Chairman Kao, Hsiu-Ming is allocated with one leased company vehicle, which carries a monthly lease at NT\$75,000 spanning from Jan. 1, 2017 to Dec. 31 2017; President Lin Yu-Yeh is allocated with one leased company vehicle, which carries a monthly lease at NT\$31,905 from Jan. 1, 2017 to Dec. 31 2017

Note 6: Which refers to when directors who serve as employee (including the position of president, vice president, other manager and employee) receive employees' remuneration (including stock and cash), the percentage of employees' remuneration shall be distributed based the board of directors' approval of the year. Those who unable to estimate the amount shall have this year's amount calculated based on last year's amount and to fill up the attached form 1-3.

Note 7: The total sum of various remunerations dispensed to company directors by all companies (including the company) stated in the consolidated financial statements.

Note 8: The total sum of various remunerations the company dispenses to each director, and disclosing the name of the directors that fall within the scale of pay propensity.

Note 9: It is mandated to disclose the total sum of various remunerations dispensed to each company director by all companies (including the company) stated in the consolidated financial statements, and disclosing the name of the directors that fall within the scale of pay propensity.

Note 10: The after-tax net return refers to the most recent year's after-tax net return; when adopting the International Financial Statement Reporting Criteria, the after-tax net return refers to the after-tax net return of an individual entity or individual financial statements. All the companies on the consolidated financial report (including the Company and its subsidiaries) shall adopt International Financial Statement Reporting Criteria approved by Financial Supervisory Commission starting from 2013. The Company's net after-tax return on the 2017 consolidated financial statement is NT\$652,951 thousands.

Note 11: a. The column shall precisely enter the pertinent remuneration amount company directors collect from reinvested entities beyond the subsidiaries.

b. If company directors collect pertinent remunerations from reinvested entities beyond the subsidiaries, the remunerations company directors collect from reinvested entities beyond the subsidiaries shall be merged into the remuneration scale table column J, and also change the column name to "all reinvested entities".

c. The remuneration refers to pay, remuneration (including remuneration for employee, director and supervisor) and expenses of executing business received by the Company's directors who employ as director, supervisor or manager in reinvested companies other than the subsidiaries.

3.2 The remunerations of the supervisors

The Company has reelected the directors on its May 31, 2016 scheduled shareholders' meeting, where the entire independent directors are to form an audit committee, which is to replace the auditors' fiduciary power, thus no remuneration will be dispensed to the auditors.

3.3 The remunerations of the president and the vice presidents

(3-2) The remunerations of the president and vice presidents

Year 2017

Unit: NTD per thousand; shares

(by means of consolidated tally by scale by which to disclose the names)

(except where the market value per share is indicated in NTD)

Title	Name	Wage (A) (Note 2)		Retire-ment pension (B)		Bonus and special expense etc. (C) (Note 3)		Employee bonus amount in the earnings distribution (D) (Note 4)				The percentage of the total sum of the four items A, B, C and C to the after-tax net return (%) (Note 9)		Whether collecting remuneration from reinvested entities beyond the subsidiaries (Note 10)
		The company	All companies in the financial statements (Note 5)	The company	All companies in the financial statements (Note 5)	The company	All companies in the financial statements (Note 5)	The company		All companies in the financial statements (Note 5)		The company	All companies in the financial statements (Note 6)	
								Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
Chairman doubling as CEO, also as subsidiary president	Sung Kao, Hsin-Ming	51,908	54,916	918	918	3,149	3,149	8,740	0	8,740	0	9.91%	10.37%	None
President	Lin, Yue-Yeh													
Group GM	Chen Jian-Tsuen (Note 10)													
Group VGM	Wei Jian-Ming													
Divison GM	Huang Zhong-Wen (Note 11)													
Divison GM	Chang Ruei-Ru (Note 11)													
Divison VGM	Li Ruei-Wen (Note 12)													
GM Finance	Hsieh Ming-Ju													

Remuneration Scale Table

Year 2017

The remunerations dispensed to each individual company president and vice presidents	Name of the president and vice presidents	
	The company (Note 6)	All companies stated in the financial statements (Note 7) (E)
Up to \$2,000,000	Nil	Nil
\$2,000,000 (inclusive) ~ \$5,000,000 (preclusive)	Nil	Nil
\$5,000,000 (inclusive) ~ \$10,000,000 (preclusive)	Huang Zhong-wen, Wei Jian-ming, Chen Jian-tsuen, Chang Ruei-ru, Li Ruei-Wen (Note 10), Hsieh Ming-ju	Huang Zhong-wen, Wei Jian-ming, Chen Jian-tsuen, Chang Ruei-ru, Li Ruei-Wen (Note 10), Hsieh Ming-ju
\$10,000,000 (inclusive) ~ \$15,000,000 (preclusive)	Sung Kao, Hsin-Ming, Lin, Yue-Yeh	Sung Kao, Hsin-Ming, Lin, Yue-Yeh
\$15,000,000 (inclusive) ~ \$30,000,000 (preclusive)	Nil	Nil
\$30,000,000 (inclusive) ~ \$50,000,000 (preclusive)	Nil	Nil
\$50,000,000 (inclusive) ~ \$100,000,000 (preclusive)	Nil	Nil
Over \$100,000,000	Nil	Nil
Total	8	8

* Regardless of the position, all positions comparable to that of the president and vice presidents (i.e. the chairman, CEO, director and so forth) shall all be disclosed.

* As the content of the remunerations disclosed in the table varies from the concept of income by the Income Tax Law, thus the purpose of the table has been for the purpose of information disclosure, and is not intended for tax levy purpose.

Note 1: The name of the president and vice presidents shall be itemized separately, and their respective payout amounts disclosed in a consolidated manner. The directors doubling as the president or vice presidents shall fill out the table and the preceding table (1-1) or (1-2).

Note 2: Which pertains to entering the most recent year's president and vice presidents' wages, position stipends, resignation payouts.

Note 3: Which pertains to entering the most recent year's president and vice presidents' various bonuses, incentive payouts, travel stipends, special dispensed expenditures, various subsidies, dormitory, car allocation and related tangible supply of goods and other remuneration amounts. When allocating with housing, car, other transportation means or exclusive personal expenditures, it shall disclose the nature of the asset allocated, the actual or market value actuated rent, fuel and other payouts. Also when allocating with a driver, please include in the footnote explaining pertinent remuneration the company pays said driver, but excluding from the remunerations. Company Chairman Kao, Hsiu-Ming is allocated with one leased company vehicle, which carries a monthly lease at NT\$75,000 spanning from Jan. 1, 2017 to Dec. 31, 2017; President Lin Yu-Yeh is allocated with one leased company vehicle, which carries a monthly lease at NT\$31,905 from Jan. 1, 2017 to Dec. 31, 2017; Vice President Huang Zhong-Wen, Chang Ruei-Ru, Li Ruei-Wen, Wei Jian-ming and Chen Jian-Tsuen are allocated with one leased company vehicle, which carries an average monthly lease at NT\$155,541 from Jan. 1, 2017 to Dec. 31, 2017.

Note 4: Which refers to when president and vice president who serve as employee receive employees' remuneration (including stock and cash), the percentage of employees' remuneration distributed based on the remuneration amount approved by the board of directors this year. Those who unable to estimate the amount shall have this year's amount calculated based on last year's amount and to fill up the attached form 1-3. The after-tax net return refers to the most recent year's after-tax net return; when adopting the International Financial Statement Reporting Criteria, the after-tax net return pertains to the after-tax net return stated in the most recent year's individual entity or individual financial statements.

Note 5: It is mandated to disclose the total sum of various remunerations dispensed to company president and vice presidents by all companies (including the company) stated in the consolidated financial statements.

Note 6: The total sum of various remunerations the company dispenses to each president and vice president, and disclosing the name of the president and vice presidents that fall within the scale of pay propensity.

Note 7: It is mandated to disclose the total sum of various remunerations dispensed to each company president and vice president by all companies (including the company) stated in the financial statements, and disclosing the name of the president and vice presidents that fall within the scale of pay propensity.

Note 8: The after-tax net return refers to the most recent year's after-tax net return; when adopting the International Financial Statement Reporting Criteria, the after-tax net return refers to the after-tax net return of an individual entity or individual financial statements. All companies (including the company) in the consolidated financial statements have since 2013 begun to adopt the International Financial Statement Reporting Criteria so recognized by the Financial Supervisory Commission. The company's 2017 individual financial statements' after-tax net return is at NT\$652,951 thousands.

Note 9:a. The column shall precisely enter the pertinent remuneration amount company president and vice presidents collect from reinvested entities beyond the subsidiaries.

b. If company president and vice presidents collect pertinent remunerations from reinvested entities beyond the subsidiaries, the remunerations company president and vice presidents collect from reinvested entities beyond the subsidiaries shall be merged into the remuneration scale table column E, and also change the column name to "all reinvested entities".

c. The remuneration refers to pay, remuneration (including remuneration for employee, director and supervisor) and expenses of executing business received by the Company's presidents and vice presidents who employ as director, supervisor or manager in reinvested companies other than the subsidiaries.

Note 10: Mr. Chen Chien-Tun has on June 1, 2017 been promoted to Enterprise Group President.

Note 11: Mr. Huang Tsung-Wen and Chang Jui-Ju have on April 11, 2018 been promoted to Enterprise Division Presidents.

Note 12: Mr. Li Ruei-Wen has on February 1, 2017 been promoted to Enterprise Division Vice President.

3.4 Name of the managers received the employee remuneration and the deployment of remuneration.

Year 2017

Unit: NTD per thousand; shares

(Except where the market value of each share is indicated in NTD)

	Position (Note 1 & Note 2)	Name (Note 1 & Note 2)	Stock Amount	Cash Amount	Total	Percent of the total amount to the after-tax net return (%)
Managers	Chairman and CEO	Sung Kao, Hsin-Ming	0	9,360	9,360	1.43%
	President	Lin, Yue-Yeh				
	Group GM	Chen Jian-Tsuen (Note 5)				
	Group VGM	Wei Jian-Ming				
	Divison GM	Huang Zhong-Wen (Note 6)				
	Divison GM	Chang Ruei-Ru (Note 6)				
	Divison VGM	Li Ruei-Wen (Note 7)				
	GM Finance	Hsieh Ming-Ju				
	Director, Finance & Accounting Divison	Zhong Chi-Wen				

Note 1: Individual's name and job title shall be disclosed. However, it is a must disclose the state of distributing profits. The Company's Board of Directors plans to distribute NT\$0 for the employee enumeration for above managers' employee remunerations.

Note 2: Which refers to when managers who serve as employee receive employees' remuneration (including stock and cash), the percentage of employees' remuneration distributed based on the remuneration amount approved by the board of directors this year. Those who unable to estimate the amount shall have this year's amount calculated based on last year's amount. The after-tax net return refers to the most recent year's after-tax net return; when adopting the International Financial Statement Reporting Criteria, the after-tax net return pertains to the after-tax net return stated in the most recent year's individual entity or individual financial statements.

Note 3: Of the applicable scope of managers, as stipulated under the former Securities and Futures Management Council, Ministry of Economic Affairs March 27, 2003 Taiwan MOF Securities III No. 0920001301 directive, its scope is as follows:

- (1) The president and those on the comparable level.
- (2) The vice presidents and those on the comparable level.
- (3) The senior managers and those on the comparable level.
- (4) The finance department executives.
- (5) Accounting department executives.
- (6) Other individuals empowered with managing company affairs and as authorized signatories.

Note 4: Directors, president and vice president who have received employees' remuneration (including stock and cash) shall fill out attached form 1-2 and this form.

Note 5: Mr. Chen Chien-Tun has on June 1, 2017 been promoted to Enterprise Group President.

Note 6: Mr. Huang Tsung-Wen and Chang Jui-Ju have on April 11, 2018 been promoted to Enterprise Division Presidents.

Note 7: Mr. Li Ruei-Wen has on February 1, 2017 been promoted to Enterprise Division Vice President.

3.5 Analysis in a comparative explanation on the company and the combined statements of all companies on the amount of remunerations dispensed to company directors, supervisors, president and vice presidents in percentage on the individual or individual financial statements in after tax percentage analysis, and also explain the remunerations policy, standards and combination, remuneration formulation procedure, and its relevancy to the operating performance and future risks

3.5.1. Analysis on the most recent years in percentage

Position \ Item	The percentage of the total remuneration amount to the after-tax return				Increase (decreased) percentage	
	Year 2016		Year 2017			
	The company	Consolidated statements on all companies	The company	Consolidated statements on all companies	The company	Consolidated statements on all companies
Directors	5.76%	6.10%	5.79%	6.05%	0.03%	(0.05%)
Supervisors	0.18%	0.18%	9.91%	10.37%	(1.03%)	(1.16%)
President and vice presidents	10.94%	11.53%	5.79%	6.05%	0.03%	(0.05%)

The ratio of total remuneration paid by the Company and by all consolidated entities for directors, president and vice presidents to net income in the last two years changed mainly due to the change in net income of the parent company.

3.5.2 The company's remunerations policy, standards and combination, remuneration formulation equation, and its relevancy to the operating performance and future risks

(1) The remuneration payout policy, standards and combination:

(1.1) The remunerations of the company's directors and supervisors are paid according to Article 20 of the Company's Articles of Incorporation, where the remuneration distribution is proposed by the Board of Directors and reported at the Shareholders' Meeting. Of the directors, supervisors attendance travel stipends and the managers' wage remunerations, it is reviewed and finalized by the wage remuneration council, and voted before the management board.

(1.2) The remuneration for presidents and vice presidents can be divided into wage, bonus and employee remuneration. The wage bonus are deliberated by the Compensation Committee and finalized by the Board of Directors. Employees' remuneration is distributed based on the company's operations and Articles of Incorporation, which shall be finalized by the Board of Directors and report at the Shareholders' Meeting.

(2) The remuneration formulation procedure:

The company directors and supervisors travel allowance stipends and the president and the vice presidents wage remunerations are reviewed and finalized by the wage remuneration council, and voted before the management board.

(3) Its relevancy to the operating performance and future risks:

(3.1) Of company directors and supervisors who are entitled to the meeting attendance travel allowance stipends, the rest of whose remunerations are tied to the earnings status in company operating performance by which to distribute the remunerations.

(3.2) Presidents and vice presidents' remunerations shall be reviewed in accordance with the Company's Rules Governing Performance Appraisal and be used as an accordance of adjusting their wage. Employees' remuneration shall, on the other hand, be finalized by the Board of Directors according to the status of profit and the proportion stated in Articles of Incorporation, and then reported at the Shareholders' Meeting.

4. Implementation of Corporate Governance

4.1 Board of Directors

A total of 12 meetings of the board of directors were held in the previous year (2017). The directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairman	Ji Shuan Investment Co. Representative: Sung Kao, Hsin-Ming	12	0	100%	Re-elected on May 31, 2016
Director	Ji Shuan Investment Co. Representative: Chuang, Yen-Shan	10	2	83%	Re-elected on May 31, 2016
Director	Yi Wei Investment Co. Representative: Lin, Yue-Yeh	10	2	83%	Re-elected on May 31, 2016
Director	Ma, Kuo-Peng	11	1	92%	Re-elected on May 31, 2016
Director	Hsiao, Ming-Chih	11	1	92%	Re-elected on May 31, 2016
Director	Cheng Jin-Chuan	11	1	92%	Re-elected on May 31, 2016
Independent Director	Lin, Hsiao-Ming	12	0	100%	Elected on May 31, 2016
Independent Director	Wu, Chung-Pao	11	1	92%	Re-elected on May 31, 2016
Independent Director	Lu, Zong-Jenn	11	1	92%	Re-elected on May 31, 2016

Other matters to be disclosed :

1. If there are the circumstances referred to in Article 14-3 of 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 meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified: None.
2. If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:
 - (2.1) Regarding the discussion of Compensation Committee's proposal for "End-of-term Performance Bonus" held by the Board of Directors on the 11th of January, 2017, as two directors – Miss Kao Hsin-Ming and Mr. Lin Yu-Yeh – are also managers of the Company, they did not join the voting to avoid conflict of interest. All of other directors have joined the meeting and passed the said proposals.
 - (2.2) Regarding the discussion of Compensation Committee's proposal for "Mid-Term Bonus Distribution of 2017" held by the Board of Directors on the 21th of September 2017, as two directors – Miss Kao Hsin-Ming and Mr. Lin Yu-Yeh – are also managers of the Company, they did not join the voting to avoid conflict of interest. All of other directors have joined the meeting and passed the said proposals.
3. Measures taken to strengthen the functionality of the Board:
 - (3.1) Strengthen the functionality of the Board:
The Company has implemented the "Board of Directors Meeting Rules" in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies."
To reinforce corporate governance, the Company provides continuing education/training programs to directors to strengthen their knowledge and capabilities on corporate governance.
 - (3.2) Improving information transparency
Financial information, resolutions on material issues, board meeting participation, and director/supervisor ongoing education information are published on the Market Observation Post System as required by relevant laws. The Company's business performance and product information are also made accessible to the public on its website.
 - (3.3) Establishing Audit Committee
To enhance the governance system and strengthen the function of the board of directors of the Company, Audit Committee was established in 2016 to replace supervisors' duties. In accordance with "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies", the Company set up an "audit committee charter".

Note 1: Where directors and supervisors are juridical persons, the name of judicial person shareholder and its representative shall be exposed.

Note 2: (1) Where directors and supervisors resign the job before the end of the year, their date of resignation shall be noted down in remarks. Their actual attendance rate (%), it shall be calculated by the number of Board of Directors meetings during their employment and the number of times of their attendance.

(2) Where directors and supervisor are re-elected before the end of the year, it is a must to list the new and old directors and / or supervisors and to note down the date of re-election and their status (old / new / reappointment) in remarks. Their actual attendance rate (%), it shall be calculated by the number of Board of Directors meetings during their employment and the number of times of their attendance.

4.2 Audit Committee or Attendance of Supervisors for Board Meeting

4.2.1. Audit Committee

A total of 7 meetings of the audit committee were held in the previous year (2016). The attendance status of the members is as follows:

Title	Name	Actual Attendance (B)	Attendance Rate (%) (B/A)(Note)	Remarks
Independent Director	Lin, Hsiao-Ming	12	100%	Elected on 31 May 2016
Independent Director	Wu, Chung-Pao	11	92%	Re-elected on 31 May 2016
Independent Director	Lu, Zong-Jenn	11	92%	Re-elected on 31 May 2016

Other matters to be disclosed :

1. In the event of any of the following in the audit committee, the dates of audit committee meetings, sessions, contents of motions, resolutions of the audit committee meetings and the Company's response to audit members' opinion should be specified: None.
2. If there is independent directors' avoidance of motions in conflict of interest, the independent directors' names, contents of motions, causes for avoidance and voting should be specified: None.
3. Communications between independent directors and the Company's chief internal auditor and CPA (e.g. the items, methods and results of the audits of corporate finance or operations, etc.)
Independent directors regularly communicate with CPA to be fully informed of the Company's audited financial statements and accounting principles. The internal auditors also regularly report to the independent directors on the functioning of internal controls, which provides supervisors with sufficient overview of the Company's operations.

*Where Independent Director resign the job before the end of the year, their date of resignation shall be noted down in remarks. Their actual attendance rate (%), it shall be calculated by the number of Board of Audit Committee during their employment and the number of times of their attendance.

*Where Independent Director are re-elected before the end of the year, it is a must to list the new and old Independent Director and to note down the date of re-election and their status (old / new / reappointment) in remarks. Their actual attendance rate (%), it shall be calculated by the number of Board off Audit Committee during their employment and the number of times of their attendance.

*Audit Committee was established in 2016 to replace supervisors' duties.

4.3 Corporate Governance Implementation and its Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Item	Implementation Status (note 1)			Non-implementation and Its Reason(s)
	Yes	No	Summary	
1. If the company has established corporate governance policies based on “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the policies and their implementation.	V		The company has established "Corporate Governance Practical Rules" based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies." These practices are disclosed on the Market Observation Post System and the Company’s website, which can be easily accessed by shareholders and the public.	None
2. Shareholding Structure and Shareholders’ Rights (1) Method of handling shareholder suggestions or complaints (2) The company’s possession of a list of major shareholders and a list of ultimate owners of these major shareholders (3) Risk management mechanism and “firewall” between the company and its affiliates (4) Internal regulation to prevent insider trading	V V V V		(1) The Company has appointed a spokesperson, a PR person and stock affair specialists to handle shareholder suggestions or complaints. In addition, the Company also established columns for shareholders and stakeholders on its website to facilitate the communication. (2) The Company tracks the shareholdings of major shareholders by its designated department and persons and report to the competent authority in accordance with relevant regulations. (3) The company and each of its affiliated enterprises operate independently from each other. The subsidiaries are governed by the internal control system, the "Finance and Business Policy for Group Members and Related Parties," and the "Subsidiary Management Policy." (4) The company has established “Information Disclosure and Insider Trading Prevention Procedure” and “Ethical Corporate Management Principle” and addressed them to insiders regularly through educational programs.	None
3. Composition and Responsibilities of the Board of Directors (1) The diversity of board members (2) The establishment of other functional committees beside of Compensation Committee and Audit Committee (3) Board Performance Evaluation and Director Appraisal	V V V		(1) The Company has established "Corporate Governance Practical Rules" specifying that the composition of board of directors should consider the diversity of knowledge and capabilities. Our directors have specialties in different domains, such as operation, accounting and management that fulfills our operation needs. (2) Beside Compensation Committee in accordance with law, Audit Committee was set up in 2016 to execute supervisors’ responsibilities. (3) The Company has established “Board Performance Evaluation Rules” specifying the obedience of board discussion and the indexes regarding convention of board meetings, attendance status and continuing education/training status. The evaluation is performed after the year end according to the indexes specified. (4) The Company regularly evaluates the independence and suitability of external auditors, examining whether they pay the directors,	None

(4) Regular evaluation of external auditors' independence	V		supervisors, shareholders of the Company or not, and confirming that they are not interested parties. The assessment of the independence and suitability of the external auditors is also reported to the board meetings and approved by the audit committee. If necessary, the external auditors may be invited to attend the board meetings to ensure their independence and suitability. External auditors should avoid conflicts of interest against assignments or themselves, and its rotation should follow relevant rules.	
4. Does a listed company establish full (part)-time governance units or personnel in charge of governing relevant matters (including but not limited to providing directors and supervisors with the information to do their business, holding board meetings and shareholders' meetings in accordance with law, dealing with company registration and change of registration, making the minutes of board meetings and shareholders' meetings?)	V		Executive Strategy Office is responsible for corporate governance, and some associated units may provide directors and supervisors with the information to do their business, hold board meetings and shareholders' meetings in accordance with law, deal with company registration and change of registration, make the minutes of board meetings and shareholders' meetings, etc.	
5. Communication Channel with Stakeholders	V		The Company has designated PR Department to handle stakeholders' complaints and suggestions promptly. The Company also set up Stakeholder Center on its website that the issues brought up by stakeholders will be handled and replied on a case by case basis, as needed.	None
6. Share Transfer Agent and Registrar	V		In addition to its own stock affairs specialists, the Company also has appointed "KGI Securities" as the share transfer agent and registrar.	None
7. Information Disclosure (1) Establishment of a corporate website to disclose information regarding the Company's financials, business and corporate governance status	V		(1) The Company's financials, business and corporate governance status are published on the Market Observation Post System regularly. The Company fully discloses business and financial information on its official website, including monthly revenue, financial statements, corporate governance, etc.	None
(2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	V		(2) The Company has designated a responsible person of Finance & Accounting Division to handle information collection and disclosure and has appointed a spokesperson.	
8. Other important information to facilitate better understanding of the company's corporate governance practices (e.g., employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and	V		(1) Employee rights: The process of recruitment is open and fair. Employees are provided with benefits such as health checkups and insurance. The rights of handicapped and aboriginal employees are under well protection. (2) Employee wellness: The Company provides employees with a fair working environment and an organized training system for career development.	None

<p>purchasing insurance for directors):</p>		<ul style="list-style-type: none"> (3) Investor relations: The Company has devoted to enhance internal communication and informatization. Meanwhile, a platform to communicate with investors and to improve transparency has been established as a mechanism of dual communication between investors and the management. (4) Supplier relations: To fulfill the social responsibility, the Company has assisted suppliers to build up environmental protection, safety and hygiene management system, industrial safety evaluation rules and high-risk operations skills certification system. (5) Rights of stakeholders: “Related-party Transaction Procedure” has been established to protect the Company’s and stakeholders’ rights. Purchase Agreements are signed with all suppliers to assure mutual relationship and rights. (6) Directors’ and supervisors’ training records: The Company provides directors and supervisors with information concerning regulatory requirements and developments from time to time. Directors and supervisors also attend training programs on corporate governance topics. (7) Implementation of risk management policies and risk evaluation measures: Internal control system, managing regulations and accounting systems are established and implemented under supervision of internal auditors, board of directors and supervisors. (8) Customer relations policies: The Company has obtained ISO 9001 and ISO 14001 certification and continuously provides products and services in a high quality. Strict compliance with contracts and customers’ rights are assured. (9) Purchasing insurance for directors and supervisors: From 2014 the Company has taken out liabilities insurance for directors, supervisors and officers pursuant to the shareholder resolution, which can reduce risks resulting from fault and misconduct by directors, supervisors and officers. 	
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9. As regards the assessment conducted by Taiwan Stock Exchange Corporate Governance Center for the most recent year, please illustrate things that have been improved and provide solutions to those that need to be strengthened.(If the company is not in the assessment list, please ignore this item. In accordance with Taiwan Securities Exchange Corporation has on April 14, 2017 announced of the “third term public listed, over-the-counter traded enterprise companies’ governance evaluation” findings, the Company is ranked at between 6% ~20% among public listed companies, and of items not reaching the evaluation indicators, the Company has sought improvement gradually, which are described below:

- 1.The Company 2017 scheduled shareholders’ meeting’s agenda handbook and meeting supplemental data has been uploaded to the Market Observation Post, thirty days prior to convening the scheduled shareholders’ meeting.
- 2.The Company has on May 25 and Dec 22, 2017 been invited (staged) a corporate investor’s presentation.
- 3.The Company has begun to adopt electronic balloting at its 2018 scheduled shareholders’ meeting.

Note 1: Whether “Yes” or “No” has been selected for the implementation status, a description shall be made in the summary.
Note 2: Here the “corporate governance evaluation” refers to the evaluation conducted by the Company itself according to the Company’s governance self-evaluation items, which shall be reported and described by the Company based on their operating and execution status.

4.4 Composition, Responsibility and Operations of Compensation Committee

(1) Information on Compensation Committee Members

Apr. 1, 2018

Title (Note 1)	Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 2)								Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member in Taiwan	Remarks (Note 3)
		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 Specialists 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 Area 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	Wu, Chung-Pao	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	N/A
Independent Director (Note 4)	Lu, Zong-Jenn	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	N/A
Other	Chao, Rong-Shiang	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	N/A

Note 1: Enter Director, Independent Director or Other in the Position column.

Note 2: Please tick the corresponding boxes if the committee members have been any of the following during the two years prior to being elected or during the term.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under any other's name, in an aggregate amount of 1 percent or more of the total number of issued shares of the Company or ranking in the top 10 in shareholding.
- (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/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one of its top five shareholders;
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8) Not been a person of any conditions defined in Article 30 of the Company Law.

- (2) The Compensation Committee's duty is to establish and review the evaluation and compensation policies of the Company's directors of the board, supervisors and executives and to report its suggestions to the board of directors.

(3) Information on Operations of Compensation Committee

(3.1) The Compensation Committee consists of 3 members.

(3.2) The first session of current committee: From Dec 22, 2011 to Jun 16, 2013.

The second session of current committee: From Jun 20, 2013 to Jun 10, 2016

The third session of current committee: From June 8, 2016 to June 7, 2019.

In 2017, Compensation Committee held 3 meetings(A). The Committee members' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%) (B/A)(Note)	Remarks
Chairman	WU, CHUNG-PAO	3	0	100%	Re-elected on June 8, 2015
Member	LU, ZONG-JENN	3	0	100%	Re-elected on June 8, 2015
Member	CHAO, RONG-SHIANG	3	0	100%	Re-elected on June 8, 2015

Other matters to be disclosed :

1. If the board of directors declines to adopt, or modifies a recommendation of the remuneration committee, the date of the Board of Directors meeting, term, content of motions, board resolution results and Company handling of remuneration committee opinions shall be specified. (if the compensation approved by the Board of Directors exceeds that proposed by the remuneration committee, the circumstances and cause of the difference shall be specified): None.

2. If any committee member has an objection or qualified opinion together with a record or written statement regarding a remuneration committee resolution, the remuneration committee date, term, content of motions, all members opinions and how the opinions were handled shall be specified: None.

Note: (1) Where directors and supervisors resign the job before the end of the year, their date of resignation shall be noted down in remarks. Their actual attendance rate (%), it shall be calculated by the number of Board of Directors meetings during their employment and the number of times of their attendance.

(2) Where directors and supervisor are re-elected before the end of the year, it is a must to list the new and old directors and / or supervisors and to note down the date of re-election and their status (old / new / reappointment) in remarks. Their actual attendance rate (%), it shall be calculated by the number of Board of Directors meetings during their employment and the number of times of their attendance.

4.5 Implementation of Social Responsibility

Item	Implementation Status			Deviation from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary	
<p>1. Implementation of Corporate Governance</p> <p>(1) Corporate social responsibility policy and performance evaluation</p> <p>(2) Regular training and promotion of corporate ethics</p> <p>(3) Dedicated organization for the promotion and execution of corporate social responsibility</p> <p>(4) Integration of corporate social responsibility with the employee performance appraisal system</p>	V		<p>(1) The Company has corporate social responsibility best practices principles and continues to carry out corporate social responsibility in the spirit of “Integrity, Careness, Profession, Innovation, Dedication and Cooperation.” The Company begins to receive guidance for recognition from 2015 to further fulfill its corporate social responsibility. The company is expected to maximize the performance of its social responsibilities through external audit procedures like SA8000.</p> <p>(2) Information on corporate social responsibility is promoted through various channels, including meetings, internet or training programs on topics such as regulatory compliance, information safety, environmental protection, industrial safety and hygiene management.</p> <p>(3) Executive Strategy Group is responsible for corporate social responsibility planning and implementation. Executions carried out by all departments are in compliance with corporate social responsibility best practices principles. Executive Strategy Group examines execution results, issues corporate social responsibility report and presents to the board of directors.</p> <p>(4) The compensation and benefits policies are established by Human Resource & Administration Division and Compensation Committee, which are designed to maintain the Company’s competitiveness in employee recruiting and retention. The Company’s reward and discipline system are linked to yearly performance appraisal which affects employees’ wage raise and promotion.</p> <p>The Company was selected to be one of the component stocks of “Taiwan High Compensation 100 Index”, reflecting the fulfillment of corporate social responsibility and profitability.</p>	None
<p>2. Sustainable Environment Development</p> <p>(1) Commitment to improving resources utilization and the use of renewable materials</p> <p>(2) Environmental management system designed to industry characteristics</p> <p>(3) Company strategy for climate change, energy conservation and greenhouse gas reduction</p>	V		<p>(1) The Company has launched the first “Solar battery partial selected emitter laser processing machine” in Taiwan which can improve the efficiency of solar batteries. The implementation of electronic document system and the adoption of LED lighting and inverter air conditioners also contribute to energy efficiency and carbon reduction.</p> <p>(2) The Company has obtained ISO 9001 and ISO 14001 certification and implemented OHSAS 18001. Policies in relation to safety management are established as required by government, such as Safety in Production Rules, Personal Protective Equipment Management Rules and Emergency Response Rules.</p> <p>(3) To minimize the impact of operations on the environment, the Company has adopted a series of practices, such as LED lighting adoption, chillers adjustment, chilled water pumps replacement, etc.. In the meantime, it has promoted carbon reduction and greenhouse gas inspection to continuously monitor power consumption facilities to reduce impacts caused by its operations to the natural environment.</p>	None

Item	Implementation Status			Deviation from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary	
3. Promotion of social welfare				None
(1) Compliance with labor regulations, international recognized human right principles, and appropriate management measures and procedures	V		(1) The Company strictly complies with government laws and regulations. The process of recruitment is open and fair. The rights of handicapped and aboriginal employees are under well protection.	
(2) Mechanism and channels of employee appeals	V		(2) Employees can express their opinions through internal communication. Multiple channels are maintained for employee appeals, including direct contact with supervisors, employee communication mail box and quarterly tea parties. Sexual harassment complaints are processed according to Sexual Harassment Prevention Policy. Employees are well-informed of relevant information and events through internal website and newsletter.	
(3) Safety and health in working environment, and the condition for providing periodical safety and health training to employees	V		(3) The Company provides a fair, appropriate and safe working environment to employees in compliance with government laws and regulations. The physical working environment is examined every year to ensure a healthy environment. Breastfeeding rooms are provided to meet female employees’ needs. To enhance knowledge of health and to prevent occupational injuries, health checkups and seminars are regularly held.	
(4) Mechanism of periodical communication with employees, and reasonable notice measures regarding significant operational changes which might cause significant impacts to employees	V		(4) Employees can express their opinions through tea parties and employee communication mail box. Employees are well-informed of relevant information and events through internal website and newsletter.	
(5) Effective capabilities development program for employees	V		(5) Different employee career development structure and capabilities training programs are designed based on the function and the level of employees. Employee trainings are achieved through subsidies, authorization, on-job instructions and courses.	
(6) Consumer rights policy and consumer complaints processing procedure	V		(6) The Company has established “After-Sales Services Procedure,” “Customer Satisfaction Procedure,” “Returned Goods and Customer Complaints Procedure,” and “Prevention and Correction Procedure.” When a customer complaint is filed, the responsible department follows relevant procedures and takes appropriate actions. The Company strictly complies with contracts signed with customers and dedicates to build up mutual communication mechanism with customers.	
(7) Compliance with products and services marketing and labeling regulations and international standards	V		(7) The Company has obtained ISO 90001 certification, and the product labeling follows “Outgoing Product Control Procedure” and “Outgoing Product Inspection Standard.” Government regulations and industry standards are complied with to assure the quality of products and services.	
(8) Evaluation of suppliers	V		(8) The Company evaluates suppliers according to “Suppliers Control Procedure” and investigates into suppliers’ social responsibility status and records before deal. Tracks and appraisals are performed periodically after deal. The Company has also assisted suppliers to build up environmental protection, safety and hygiene management system, industrial safety	

Item	Implementation Status			Deviation from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary	
(9) Actions taken when major suppliers violate corporate social responsibility policy	V		evaluation rules and high-risk operations skills certification system. (9) Any contract signed with major suppliers has to be previewed by legal personnel. Suppliers violating corporate social responsibility policy will be debarred from future cooperation.	
4. Enhancement of Information Disclosure (1) Disclosure of corporate social responsibility related information with significance and reliability	V		The Company has disclosed relevant information on the official website and published on the Market Observation Post System in accordance with regulations.	None
5. If the company has established its corporate social responsibility code of practice according to “Listed Companies Corporate Social Responsibility Code of Practice”, please describe the operational status and differences: The Company has followed corporate governance related operations to set and implement “Listed Companies Corporate Social Responsibility Code of Practice”.				
6. Other important information to facilitate better understanding of the company’s implementation of corporate social responsibility: The information of the Company’s implementation of corporate social responsibility has been disclosed in “Corporate Social Responsibility Report” published on the official website.				
7. Other information regarding “Corporate Social Responsibility Report” which is verified by certification bodies: None				

Note 1: Whether “Yes” or “No” has been selected for the implementation status, a description shall be made in the summary.

Note 2: Company that has made corporate social responsibility report shall note down the method of checking its corporate social responsibility report and page of index in the section of “Summary” for replacement.

4.6 Implementation of Corporate Conduct and Ethics

Item	Implementation Status			Deviation from “Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) The company’s guidelines on corporate conduct and ethics are provided in internal policies and disclosed publicly. The Board of Directors and the management team demonstrate their commitments to implement the policies. (2) The company establishes relevant policies for preventing any unethical conduct. The implementation of the relevant procedures, guidelines, disciplines and appealing mechanism are provided in the policies. (3) The company establishes appropriate measures for preventing bribery and illegal political contribution for higher	V V V		(1) “Integrity, Careness, Profession, Innovation, Dedication and Cooperation” is the Company’s most important core value. The Company has established the Code of “Ethics and Business Conduct” and is committed to acting ethically in all aspects of our business. For conflicts of interest avoidance, directors must recuse themselves from discussion and voting on issues in which they have a direct personal or pecuniary interest. (2) The Company has established the Code of “Ethics and Business Conduct” and formed the corporate culture based on integrity. The prevention of unethical conduct and its penalty are clearly stated in the Company’s service regulation, employment contract and Reward and Discipline Policy. The Company also provides employee appealing mechanism that accepts complaints through a mail box. (3) The Company is in compliance with “Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies.” The management regularly audits and reviews the compliance status to prevent unethical conduct. For higher potential	None

Item	Implementation Status			Deviation from “Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary	
potential unethical conduct in the relevant policies.			unethical conduct, promotion on ethics is addressed to employees and related persons. Any delivery of gifts has to be cautiously evaluated and approved.	
<p>2. Corporate Conduct and Ethics Compliance Practice</p> <p>(1) The company shall prevent doing business with whomever has unethical records and include business conduct and ethics related clauses in the business contracts.</p> <p>(2) The company sets up dedicated unit in charge of promotion and execution of the company’s corporate conduct and ethics. The board of directors supervises such execution and compliance of the policies.</p> <p>(3) The company establishes policies to prevent conflicts of interest and provides appropriate communication and complaint channels.</p> <p>(4) The company establishes effective accounting and internal control systems for the implementation of policies, and the internal auditors audit such execution and compliance.</p> <p>(5) Internal and external training programs on corporate conduct and ethics</p>	V		<p>(1) The Company performs credit verification on new suppliers, vendors and partners to understand their ethical records. All business contracts have to be previewed by the legal personnel and contain clauses of contract termination and penalty as a result of unethical conduct.</p> <p>(2) The Company has not yet established a unit that promotes Ethics and Business Conduct. However, while conducting business, departments of the Company shall follow “Ethics and Business Conduct”. The Executive Strategy Office shall also supervise to ensure if the departments have violated the said Conduct. Any matter that is found violating the said Conduct shall be reported to directors at Board of Director Meeting.</p> <p>(3) Directors must rescue themselves from discussion and voting on issues in which they have a direct personal or pecuniary interest.</p> <p>(4) The company has established accounting and internal control systems, and the systems are reviewed at all times to ensure conformation with regulations and operation needs. Internal auditors regularly audit the execution and report to the board of directors.</p> <p>(5) The Company regularly promotes corporate conduct and ethics policies, principles and corporate values to employees. The results of unethical conduct are will be carried out according to a clear and effective reward and discipline mechanism.</p>	None
<p>3. Operational Status of Reporting Mechanism</p> <p>(1) The company establishes reporting and reward system as well as convenient reporting channels and designates an appropriate person in charge</p> <p>(2) The standard of procedure for processing ethical irregularities</p>	V		<p>(1) The Company has explicitly specified the Company’s reporting channel and reward system in its Ethics and Business Conduct Regulations Governing the Management and Communication of Corporate Social Responsibility and Reward and Discipline Policy, where reporter may conduct the report anonymously and the Company shall keep the confidentiality on reporter information and reported content. A reporting mailbox is established under and managed by Human Resources & Administration Division. The mailbox related information shall be announced on the Company’s internal website and be propagated in trainings for new employees.</p> <p>(2) In order to solve problems at work, communicate and improve efficiency, a mail box</p>	None

Item	Implementation Status			Deviation from “Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary	
reporting and the confidentiality (3) Measures to protect reporters	V		has been maintained to receive employee opinions and complaints. The procedure of reporting includes: A. An employee can file complaints in writing for any suggestions on the Company’s policies and administrative measures, or any impairment to employees’ rights and improper treatment without reasonable responses from his department. B. The appeal should be sealed up and delivered to the President directly by Human Resources & Administration Division in confidential class. The investigation on the reporting should be processed cautiously and kept confidential. Sexual harassment complaints are processed according to Sexual Harassment Prevention Policy. (3) The opinions received through employee communication mail box directly go to the top management. The process of reporting is under control of the Company’s information safety system. Violation of confidentiality will be judged according to the reward and discipline system.	
4. Information Disclosure (1) Disclosure of corporate conduct and ethics policies and such execution on the company’s website and the Market Observation Post System	V		The Company has disclosed information of corporate conduct and ethics on the official website and published on the Market Observation Post System.	None
5. If the company has established the Code of “Ethics and Business Conduct” based on “Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the policies and their implementation: The Company has already stipulated Ethics and Business Conduct and implemented it accordingly.				
6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices: (1) The Company provides promotion and training programs on service regulations to employees to facilitate employees’ better understanding of the Company’s determination, policies, prevention measures on corporate conduct and ethics as well as the results of violation. (2) Suppliers, vendors and partners are required to follow the Company’s service regulation and to report the violation or unethical conduct of the Company’s employees. (3) Please refer to the section of “Implementation of Corporate Social Responsibility” in this annual report and “Corporate Social Responsibility Report” on the official website for more information.				

Note 1: Whether “Yes” or “No” has been selected for the implementation status, a description shall be made in the summary.

4.7 Principles and relevant regulations on corporate governance of the Company can be found at the official website <http://www.micb2b.com>. Please refer to the section of “Implementation of Corporate Governance” in this annual report.

4.8 Other important information to facilitate better understanding of the company’s corporate governance: None

4.9 Internal control system executio
4.9.1. Internal control statement

Marketch International Corp.
Internal Control Statement

Date: February 24th, 2018

Based on the results of examination from the 2017 internal control system of the company, the following are stated:

- I. The company is ascertain of the establishment, implementation and maintenance of the internal control system of the company in terms of the responsibilities of the board of director and the managers as the company has already established such system. The objective is to, within a reasonable range, ensure operation results and efficiency (including profitability, performance and the protection of asset safety); the reliability, timeliness and transparency of reports; and compliance of relevant rules and regulations.
- II. There are still natural limitations of the internal control system regardless of the comprehensiveness of the design. The effectiveness of the internal control system can only provide reasonable guarantees to the goal-achievement of the three aforementioned objectives; also, due to the environmental and situational changes, the effectiveness of the internal control system may alter. Still, the internal control system of the company is set with a self-supervision mechanism. Once the defect is detected, the company will adopt a corrective action for modification.
- III. With the reference of the content of determination within the “Guidelines of the Internal Control System of Public Company” (hereinafter referred to as “the Guideline”), the effectiveness of the design and the implementation of internal control system shall be determined. The evaluation items that the Guidelines has adopted for internal control refers to the management and control process, where the internal control system is divided into five constituents: 1. Environment control; 2. Risk assessment; 3. Control operations; 4. Information and communication, and; 5. Supervision. Each constituent would contain several other items. For the aforementioned items, please refer to the regulations of the Guideline.
- IV. The Company has already adopted aforementioned internal control assessment items to evaluate the design of internal control system and the efficiency of implementation.
- V. Based on the results of aforementioned assessment, the Company believes that the internal control system (including the supervision and management of subsidiaries) it has adopted on the 31st of December 2017 ensures an effective design and implementation of relevant internal control measures, where the objectives of understanding the operation results and efficiency, providing reliable, on-time and transparent reports, and ensuring the compliance of relevant rules and regulations can all be reached.
- VI. This statement will become the main content of the annual report of the company and an open statement for the public. In the event of any faking or illegal situations of the aforementioned content, it shall be obliged with the legal responsibilities stated in Article 20, 32, 171 and 174 of Securities and Exchange Act.
- VII. This statement was approved by the board on February 24th, 2018 with the presence of 9 directors without any objection. The rest also agreed with the content of the statement.

Marketch International Corp.

Chairman of the board: Sung Kao, Hsin-Ming
Signature:

General Manager: Lin, Yue-Yeh
Signature:

2. Accountant is entrusted to inspect the internal control system shall disclose the inspection reports of the accountant: None.

4.10 For the last date of the annual report printing of the closest year, there is punishment, main defect and improvement situations for the internal staff due to violation of the law or internal control regulations: None.

4.11 For the last date of the annual report printing of the closest year, there were important resolutions of the shareholders and board of directors.

4.11.1. Important Resolutions at Shareholders' Meeting

Date	Resolutions
2017/05/26	<ol style="list-style-type: none"> 1. Recognized company 2016 operating report and financial report proposal. State of implementation: voted and approved before the 2017 shareholders' meeting. 2. Recognized company 2016 earnings distribution proposal. State of implementation: a resolution voted before the 2017 shareholders' meeting approving for distributed cash dividend of NT\$2.2 per share, with cash dividend having been distributed as of July 26, 2017. 3. Approved amending company "endorsement, guarantee operating procedure" proposal. State of implementation: a resolution has been approved before the 2017 shareholders' meeting, with relevant matters having been executed per the amended endorsement, guarantee operating procedure. 4. Approved amending company "capital lending to other operating procedure" proposal. State of implementation: a resolution has been approved before the 2017 shareholders' meeting, with relevant matters having been executed per the amended capital lending to others operating procedure. 5. Approved amending company "acquiring or liquidating asset processing procedure" proposal. State of implementation: a resolution has been approved before the 2017 shareholders' meeting, with relevant matters having been executed per the amended acquiring or liquidating asset processing procedure.

4.11.2. Important Resolutions at Board of Directors' Meeting

Date	Resolutions
2017/01/04	<ol style="list-style-type: none"> 1. Approved company reinvesting US\$3 million proposal in China's Nanjing area.
2017/01/11	<ol style="list-style-type: none"> 1. Approved company wage remuneration committee-voted managers' 2016 yearend and performance bonus proposal. 2. Approved company promoting Lee Ruei-wen as vice president proposal. 3. Approved company offering project co-guarantee proposal to its subsidiaries Mic-Tech Electronics Engineering Corp. and Mic-Tech (Shanghai) Corp., Ltd.
2017/02/20	<ol style="list-style-type: none"> 1. Approved company 2016 individual financial report and consolidated financial report proposal. 2. Approved company 2016 operating report proposal. 3. Approved company 2016 director, auditor and employee remuneration distribution proposal. 4. Approved company 2016 earnings distribution proposal. 5. Approved company 2016 internal control affidavit proposal. 6. Approved company 2016 authenticating certified public accountant and its CPAs office's independent review proposal. 7. Approved amending company "endorsement, guarantee operating procedure", "capital lending to others operating procedure" and "acquiring and liquidating asset processing procedure" proposal. 8. Approved amending company "information disclosure and insider trading prevention operating procedure", "company governance practical implementation guideline", "ethical conduct criteria", "business honest management guideline", "applying for temporary suspension and resumption trading operating procedure", "stakeholder trading process management measures" and "wage remuneration committee's organization chapter" proposal. 9. Approved amending company "internal control system", "internal audit implementation details" and "internal self-evaluation measures" proposal. 10. Approved company 2017 scheduled shareholders' meeting's convening date, convening reason proposal. 11. Approved company capital pending proposal to its subsidiary Marketech Int'l Sdn. Bhd. 12. Approved company increasing investment amount proposal to its Myanmar subsidiary Marketech Integrated Manufacturing Co., Ltd. 13. Approved company offering bank financing line of credit guarantee proposal to its subsidiaries Mic-Tech (Wuxi) Co., Ltd., Marketech Integrated Pte. Ltd., Mic-Tech (Shanghai) Corp., Ltd., Mic-Tech Electronics Engineering Corp.

Date	Resolutions
	14. Approved company 2017 financial budget and consolidated financial budget proposal.
2017/03/31	<ol style="list-style-type: none"> 1. Approved appointing CPAs Chang Shu-Chiung, Weng Shih-Jung of PwC Taiwan to underwrite company financial statement audit work. 2. Approved company 2017 authenticating CPA and its CPAs office's independent review.
2017/04/12	<ol style="list-style-type: none"> 1. Approved new share issue proposal for converting company-issued local third unsecure convertible corporate bonds into common shares. 2. Approved company reinvesting in its subsidiary Marketech Integrated Pte. Ltd. proposal. 3. Approved company reinvesting in its subsidiary Nan Tong Jian Rui Optoelectronic Technology Inc proposal.
2017/05/02	<ol style="list-style-type: none"> 1. Approved company offering bank financing line of credit guarantee proposal to its subsidiaries Mic-Tech (Shanghai) Corp., Ltd., Mic-Tech Electronics Engineering Corp., and Mic-Tech (Wuxi) Co., Ltd. 2. Approved company bank financing line of credit proposal. 3. Approved company offloading its shareholdings held in Ares Green Technology Corporation proposal. 4. Approved company acquiring the plant in Tainan Science Park proposal as tendered by Aviso Tech Inc. 5. approved company investing in three Malaysian companies of Kejuruteraan Sinar Selaseh Sdn. Bhd., ST Ehsan Sdn. Bhd. and SS TFM Sdn. Bhd.
2017/05/26	<ol style="list-style-type: none"> 1. Approved company cash dividend distribution baseline date proposal. 2. Approved company impending repair, installation at the newly acquired plant proposal. 3. Approved company offering bank financing line of credit guarantee proposal to its subsidiaries Mic-Tech (Shanghai) Corp., Ltd. and Mic-Tech Electronics Engineering Corp.
2017/06/13	<ol style="list-style-type: none"> 1. Approved company adjusting the cash dividend per share distribution amount proposal. 2. Approved new share issue proposal for converting company-issued local third unsecure convertible corporate bonds into common shares.
2017/08/03	<ol style="list-style-type: none"> 1. Approved amending company internal control system's "financing cycle", "asset and general administration management cycle" and "other management systems" proposal. 2. Approved amending company "endorsement, guarantee operating procedure" and "capital lending to others operating procedure" proposal. 3. Approved company offering bank financing line of credit guarantee proposal to its subsidiaries Mic-Tech (Shanghai) Corp., Ltd., Mic-Tech Electronics Engineering Corp., Mic-Tech (Wuxi) Co., Ltd., Marketech Int'l Sdn. Bhd., Shanghai Maohua Electron Engineering Technology Co. Ltd., and Mic-Tech China Trading (Shanghai) Co., Ltd. 4. Approved company bank financing line of credit proposal. 5. Approved company capital lending proposal to its subsidiary Marketech International Sdn. Bhd.
2017/09/21	<ol style="list-style-type: none"> 1. Approved company 2017 managers' employee remuneration distribution amount proposal. 2. Approved company funding proposal for increasing repair, installation on the newly acquired Southern Science Park III plant. 3. Approved undoing company endorsement guarantee proposal to its subsidiary Marketech Integrated Pte. Ltd. 4. Approved company guarantee amount and guarantee period to Malaysian Special Triumph Company's TPP3 project. 5. Approved company guarantee amount and guarantee period for Malaysian Special Triumph Company (hereinafter referred to as ST) TE3 project. 6. Approved new share issue proposal for exercising converting company issued employee share pledging certificates into common shares. 7. Approved the new share issue proposal for exercising converting company issued local third unsecure convertible corporate bonds into common shares.
2017/11/02	<ol style="list-style-type: none"> 1. Approved company offering bank financing line of credit guarantee proposal to its subsidiary Mic-Tech Electronics Engineering Corp. 2. Approved company offering contract fulfillment guarantee proposal to its subsidiaries Mic-Tech Electronics Engineering Corp. and Mic-Tech (Shanghai) Corp., Ltd.

Date	Resolutions
2017/12/26	<ol style="list-style-type: none"> 1. Approved company 2018 audit plan proposal. 2. Approved amending company internal control system's "production cycle" and "other management systems" proposal. 3. Approved amending company "accounting system" proposal. 4. Approved amending company "management board meeting guideline" proposal. 5. Approved amending company "audit committee organization chapter" proposal. 6. Approved company offering bank financing line of credit guarantee proposal to its subsidiaries MIC-Tech (Wuxi) Co., Ltd., Marketech Integrated Pte. Ltd., and Marketech Int'l Sdn. Bhd. 7. Approved company bank financing line of credit proposal. 8. Approved new share issue proposal for exercising company issued employee share pledging certificates into common shares. 9. Approved exercising converting company issued local third unsecure convertible corporate bonds into common shares 10. Approved company 2018 financial budget and consolidated financial budget proposal.
2018/01/24	<ol style="list-style-type: none"> 1. Approved company 2018 authenticating certified public accountant and whose CPA office's independent review proposal. 2. Approved company wage remuneration committee-submitted managers 2017 yearend and performance bonus proposal. 3. Approved company wage remuneration committee-submitted supervisor's stipend amount adjustment proposal.
2018/01/30	<ol style="list-style-type: none"> 1. Approved company capital lending proposal to its subsidiary eZoom Information, Inc.
2018/02/24	<ol style="list-style-type: none"> 1. Approved company 2017 individual financial report and consolidated financial report proposal. 2. Approved company adopting the international financial reporting criteria number 9 "financial tools" and number 15 "income derived from customer contacts", for the impact to company and its subsidiaries' finances on the ledger starting date of Jan. 1, 2018. 3. Approved company 2017 operating report proposal. 4. Approved company 2017 directors and employees' remuneration distribution proposal. 5. Approved company 2017 earnings distribution proposal. 6. Approved company 2017 internal control affidavit proposal. 7. Approved company 2018 scheduled shareholders' meeting convening date and convening reason proposal. 8. Approved company capital lending proposal to its subsidiary MIC-Tech (Wuxi) Co., Ltd. 9. Approved company bank financing line of credit guarantee proposal to its subsidiaries Mic-Tech (Shanghai) Corp., Ltd. and Mic-Tech Electronics Engineering Corp. 10. Approved company reinvesting in eZoom Information, Inc. proposal.
2018/03/30	<ol style="list-style-type: none"> 1. Approved new share issue proposal for exercising company-issued employee share pledging certificates into common shares. 2. Approved new share issue proposal for converting company-issued local third unsecure convertible corporate bonds into common shares. 3. Approved company job ranking/title amendment proposal. 4. Approved company personnel promotion proposal. 5. Approved company managers wage adjustment proposal.
2018/04/16	<ol style="list-style-type: none"> 1. Approved company capital lending proposal to its subsidiary Mic-Tech (Wuxi) Co., Ltd. 2. Approved company receiving Ennoconn International Investment Co., Ltd. notice on an open solicitation of company common shares, by conducting validation and review on Hua Cheng's identity and financial standing, fairness of the acquisition terms and the rationality on source of acquisition capital, and also present a recommendation proposal on the current acquisition to company shareholders.
2018/04/19	<ol style="list-style-type: none"> 1. Approved company articles of incorporation amendment proposal

4.12 For the last date of the annual report printing of the closest year, there were disagreements with recorded or written statements for the passing of important resolutions by the directors or supervisors. The main content consists: None.

4.13 For the last date of the annual report printing of the closest year, the compilation of the resignations and dismissals of director of the board, president, accounting supervisor, financial supervisor, internal auditing supervisor and R&D supervisor: None.

5. Information Regarding the Company's Audit Fee and Independence

Name of the Accountant's firm	Accountant's name		Auditing period	Note
PWC Taiwan	Chang Shu-Chiung	Weng Shih-Jung	Jan. 1, 2017 – Dec. 31, 2017	None

Note: If there is any change of accountant or accounting firm in the year, the inspection period shall be listed separately and specified the reason of the change in the column of "Note."

Unit: NTD/thousand

Amount		Public expense	Audit Fee	Non-audit Fee	Total
1	Below 2,000		0	0	0
2	2,000 (included) ~4,000		0	0	0
3	4,000 (included)~6,000		0	0	0
4	6,000 (included)~8,000		6,187	0	6,187
5	8,000 (included)~10,000		0	0	0
6	Above 10,000 (included)		0	0	0

Note 1: Audit fee refers to the payment for the certification of the auditing, revision and tax certification for the accountants.

- 5.1 If the audit fee is above 1/4 in terms of the payment to the accountants, the firms that the accountants belong to and the non-audit fee of the affiliated companies, the audit fee and non-audit fee amount as well as the content of the non-audit service shall be disclosed: There is no such situation.
- 5.2 If there is a decrease of audit fee in comparison to the audit fee of the previous year or the changing of accounting firm, the audit fee amount and reason of the year and the previous year shall be disclosed: There is no such situation.
- 5.3 If the audit fee is less than more than 15 percent comparing to the one of the previous year, the reduced amount of the audit fee, the proportion and the reason shall be disclosed: There is no such situation.

6. Information on Replacement of Certified Public Accountant

If there is any change in terms of the accountant in the latest two years and the previous year, the following items shall be disclosed.

6.1 About the previous accountant

Date of change	March 31, 2017		
Reason of the change and description	Due to the structural organizational adjustment of PricewaterhouseCoopers Taiwan, the company certification accountant of 2017 is changed to Chang, Shu-Chiung and Weng, Shih-Jung.		
Description of the termination or non-appointment of the trustee or accountant	Party	Accountant	Appointed to
	Situation	Not available	
	Active termination of appointment		
No further appointment is accepted (continued)			
Reason and opinion of approved audit report without further opinion of the latest two years	Not available		
Disagreement with the publisher	YES		Accounting principles or practices
			Disclosure of financial report
			Audit scope or procedure
			Other
	None	V	
Description	Not available		
Other disclosure (The discloser shall be included based on Article 10.5(4) of the Guideline)	None		

6.2 About the successor-account

Firm name	PricewaterhouseCoopers Taiwan
Accountant name	Chang, Shu-Chiung and Weng, Shih-Jung.
Appointment date	March 31, 2017
For the accountant of particular transaction before the appointment, the management approach or accounting principles and the counselling and results of the approval of the financial report.	Not available
Written opinions of the successor-accountant against the previous accountant.	Not available

6.3 Reply of the previous accountant towards Article 10 Paragraph 5 Item 1 and 2-3 of "Guidelines of Mandatory Recordings in the Annual Report of the Public Company".

7. The Chairman, President and the Manager in charge of finance or accounting matters who has worked for the independent auditor or related parties in the most recent year

8. Information on shareholding transfer and pledge by Directors, Supervisors, Department Heads and Shareholders with over 10% shareholding in the most recent year and up to the printing of the annual report

8.1 The equity changes or modification of pledge of the directors, supervisors, managers and shareholders with more than 10% of the shares.

Unit: share

Title (Note 1)	Name	2017		Till March 31, 2018	
		The increased (decreased) number of possessed shares	The increased (decreased) number of pledged shares	The increased (decreased) number of possessed shares	The increased (decreased) number of pledged shares
Director (two seats)	Jia Shuan Investment Company (Note 2)	0	0	0	0
Director	Yi Wei Investment Company	0	0	0	0
Independent director	Wu, Chung -pao	0	0	0	0
Independent director	Lu, Zong-Jenn	(18,000)	0	0	0
Independent director	Lin, Hsiao-Ming	0	0	0	0
Director	Ma, Guo-peng	(216,000)	0	0	0
Director	Hsiao, Min-chih	0	0	0	0
Director	Cheng, Chin-chuan	0	0	0	0
Chairman and CEO	Kao, Hsiu-Ming	0	0	0	0
President	Lin, Yue-yeh	(909,000)	0	(258,000)	0
Group GM	Chen Jian-Tsuen (Note 3)	0	0	40,000	0
Group VGM	Wei Jian-Ming	0	0	0	0
Divison GM	Huang, Zhong-wen (Note 4)	35,000	0	0	0
Divison GM	Chang Ruei-Ru (Note 4)	0	0	35,000	0
Divison VGM	Li Ruei-wen (Note 5)	0	0	(8,000)	0
Vice General Manager and Financial Supervisor	Hsieh, Ming-Ju	40,000	0	0	0
Accounting Supervisor	Zhong, Chi-wen	25,000	0	0	0

Note 1: Shareholders with more than 10% of the shares shall be specified as the biggest shareholder of the company and belisted separately.

Note 2: Ji Shuan Investment Company has more than 10% of the shares which makes it the biggest shareholder.

Note 3: Mr. Chen Chien-Tun has on June 1, 2017 been promoted to Enterprise Group President.

Note 4: Mr. Huang Tsung-Wen and Chang Jui-Ju have on April 11, 2018 been promoted to Enterprise Division Presidents.

Note 5: Mr. Li Ruei-Wen has on February 1, 2017 been promoted to Enterprise Division Vice President.

8.2 Equity transfer

Directors, supervisors, managers and other shareholders with more than 10% of shares have no right to transfer the equity to other persons.

8.3 Share pledge

Directors, supervisors, managers and other shareholders with more than 10% of shares have no right to pledge.

9. Relationship information among the Top Ten Shareholders and any one is a related party or a relative within the second degree of kinship of another

April 01, 2018

Unit: Shares ; %

Name (Note 1)	Personal shareholding		Shareholding of the spouse and under age children		Total shareholding using other's name		Relationship with the 10 largest shareholders or relationship as the spouse or second lineage. Title or name and relationship (note 3)		Other
	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares	Title (or name)	Relationship	
Director of Ji Shuang Investment Company: Kao, Hsiu-Ming	19,005,795 *4,010,513	10.66% *2.25%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	None	None	None
Director of Yi Wei Investment Company: Lin, Yu-yeh	12,647,112 *8,818,782	7.09% *4.95%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	None	None	None
Lin, Yu-yeh	8,818,782	4.95%	0	0.00%	0	0.00%	Yi Wei Investment Company	Person in charge of the company	None
Standard Chartered Bank's Business Department has been entrusted by Credit Suisse Securities (Europe) Ltd.	4,811,000	2.70%	0	0.00%	0	0.00%	None	None	None
Lin, Yu-Yao	4,266,515	2.39%	0	0.00%	0	0.00%	Lin, Yu-yeh	Brothers	None
Kao, Hsiu-Ming	4,010,513	2.25%	0	0.00%	0	0.00%	Ji Shuang Investment Company	Person in charge of the company	None
HSBC Bank (Taiwan) Limited has been entrusted for safeguarding Morgan Stanley International Limited's dedicated investment account	3,096,000	1.74%	0	0.00%	0	0.00%	None	None	None
Director of Ji Chang Investment Company: Song, Bing-Zhong	2,798,955 *921,349	1.57% *0.52%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	Kao, Hsiu-Ming	Mother-and-son relationship	None
Ya Tai Investment Company Yang, Yi-Shun	2,400,000 *432,000	1.35% *0.24%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	None	None	None
Huang, Shi-fong	2,318,910	1.30%	0	0.00%	0	0.00%	None	None	None

*The No. of shares and the percentage of the shares by each of the individuals.

Note 1: The ten largest shareholders shall be listed. Corporate shareholders shall be listed with the name and the name of the representative.

Note 2: The calculation of the percentage of the shares refers to the calculation of the percentage of the shares with its name, the spouse's, the underage children's or with others' names.

Note 3: The aforementioned shareholders include corporates and natural persons. The relationship between each other shall be disclosed in the financial reports of the issuers.

10. The shareholding of the same invested company by the Company, the Directors, the Supervisors, the Managers or other business that is controlled by the Company directly or indirectly

December 31, 2017
Unit : Share ; %

Invested enterprises (Note 1)	Investment of our company(Note 1)		Investments made by Directors, Supervisors, Managers and the Company' s Directly or Indirectly Controlled Businesses(Note 2)		Combined investment	
	No. of shares	Percentage of shares	No. of shares	Percentage of shares	No. of shares	Percentage of shares
Market Go Profits Ltd.	38,369,104	100.00%	0	0.00%	38,369,104	100.00%
Marketech Integrated Pte Ltd.	8,225,040	100.00%	0	0.00%	8,225,040	100.00%
Headquarter International Ltd.	1,289,367	100.00%	0	0.00%	1,289,367	100.00%
Tiger United Finance Ltd.	1,410,367	100.00%	0	0.00%	1,410,367	100.00%
MIC-Tech Global Corp.	131,560	100.00%	0	0.00%	131,560	100.00%
MIC-Tech Viet Nam Co., Ltd.	0	100.00%	0	0.00%	0	100.00%
Marketech Co., Ltd.	0	100.00%	0	0.00%	0	100.00%
Marketech Engineering Pte. Ltd	421,087	100.00%	0	0.00%	421,087	100.00%
Marketech Integrated Manufacturing Company Limited	1,400,000	100.00%	0	0.00%	1,400,000	100.00%
eZoom Information, Inc.	7,200,000	100.00%	0	0.00%	7,200,000	100.00%
Glory Technology Service Inc.	4,093,215	34.11%	0	0.00%	4,093,215	34.11%
MIC Techno Co., Ltd.	200,000	20.00%	150,000	15.00%	350,000	35.00%
Marketech International Sdn. Bhd.	6,258,750	51.12%	5,984,000	48.88%	12,242,750	100.00%
PT Marketech International Indonesia	1,199,000	99.92%	1,000	0.08%	1,200,000	100.00%
MIC-Tech Ventures Asia Pacific Inc.	0	0.00%	38,266,604	100.00%	38,266,604	100.00%
Marketech Integrated Construction Co., Ltd.	0	0.00%	28,500	95.00%	28,500	95.00%
MIC-Tech(WuXi) Co., Ltd.	0	0.00%	0	100.00%	0	100.00%
MIC-TECH (SHANGHAI) CORP. LTD.	0	0.00%	0	100.00%	0	100.00%
FUZHOU JIWEI SYSTEM INTEGRATED CO. LTD.	0	0.00%	0	100.00%	0	100.00%
MIC-TECH Electronics Engineering Corp.	0	0.00%	0	100.00%	0	100.00%
MIC-Tech China Trading (Shanghai) Co., Ltd	0	0.00%	0	100.00%	0	100.00%
SKMIC(WUXI) CORP	0	0.00%	0	49.00%	0	49.00%
Rusky H.K. Limited	0	0.00%	833,000	100.00%	833,000	100.00%
Shanghai Puntic Co., Ltd	0	0.00%	0	87.00%	0	87.00%
ChenGao M&E Engineering(Shanghai) Co., Ltd	0	0.00%	0	100.00%	0	100.00%
Leader Fortune Enterprise Co., Ltd.	0	0.00%	303,000	31.43%	303,000	31.43%
Macrotec Technology(Shanghai) Co., Ltd	0	0.00%	0	31.43%	0	31.43%
Frontken MIC Co., Limited	0	0.00%	2,337,608	100.00%	2,337,608	100.00%
Frontken MIC (Wuxi) Co., Ltd	0	0.00%	0	100.00%	0	100.00%
MICT International Limited	0	0.00%	4,200,000	100.00%	4,200,000	100.00%
Nantong Jianrui Optoelectronics Technology Co., Ltd.	0	0.00%	0	100.00%	0	100.00%
ADAT Technology CO., LTD.	1,000,000	83.33%	0	100.00%	1,000,000	83.33%
Marketech Netherlands B.V.	300,000	100.00%	0	0.00%	300,000	100.00%

Note 1: The above investments are recognized by equity method.

Note 2: Investments made by the Company's directly or indirectly controlled business refers to investment made by the Company's directly or indirectly controlled subsidiary through equity method.

Part 4. Capital Overview

1. Capital and Shares

1.1 Sources of the capital for shares

The sources of the capital for the shares issued by the company in recent years and by the print date of the annual notice are as follows:

Apr. 30, 2018
Unit: NT\$; shares

mm/yy	Issue price	Rated capital for shares		Actual received capital for shares		Note		
		Shares	Amount	Shares	Amount	Source of the capital	Stocks by assets in cash	Others
Apr., 2017	10	250,000,000	2,500,000,000	171,501,866	1,715,018,660	shares issued from equity for Corporate Bond 6,432,110	N/A	Note 1
Jul., 2017	10	250,000,000	2,500,000,000	175,037,558	1,750,375,580	shares issued from equity for Corporate Bond 3,535,692	N/A	Note 2
Oct., 2017	10	250,000,000	2,500,000,000	176,472,317	1,764,723,170	shares issued from equity for employees dividend 1,025,000 shares issued from equity for Corporate Bond 4,097,590	N/A	Note 3
Jan., 2018	10	250,000,000	2,500,000,000	177,016,429	1,770,164,290	shares issued from equity for employees dividend 37,500 shares issued from equity for Corporate Bond 146,612	N/A	Note 4
Apr. 2018	10	250,000,000	2,500,000,000	178,261,604	1,782,616,040	shares issued from equity for employees dividend 373,000 shares issued from equity for Corporate Bond 872,175	N/A	Note 5

Note 1: Jin-Sho-Shang-Zi No. 10601051300 letter issued on April 21, 2017
 Note 2: Jin-Sho-Shang-Zi No. 10601102580 letter issued on July 20, 2017
 Note 3: Jin-Sho-Shang-Zi No. 10601147140 letter issued on October 24, 2017
 Note 4: Jin-Sho-Shang-Zi No. 10701007870 letter issued on January 23, 2018
 Note 5: Jin-Sho-Shang-Zi No. 10701042540 letter issued on April 30, 2018

Apr. 01, 2018
Unit: shares

Share type	Rated capital for shares					Note
	Issued shares (note)			Unissued shares	Total	
	Listed (note)	OTC (counter)	Total			
Registered ordinary shares	178,261,604	0	178,261,604	71,738,396	250,000,000	N/A

Note: Please note that a share belongs to the listed one or trade OTC. (If it is restricted to be listed or trade OTC, then it should be noted.)

Related information of General Application System: not applicable

1.2 Structure of shareholders

For ordinary shares, the price of each share is 10 dollars

Apr. 01, 2018
Unit: shar; person; %

Structure of shareholders	Government agency	Financial constitutions	Other juristic person	Individual	Foreign constitution and foreigner	Total
Number (person)	0	4	73	12,578	72	12,727
Number (share)	0	2,540,000	45,565,611	108,685,753	21,470,240	178,261,604
Ration of shareholding (%)	0.00%	1.42%	25.57%	60.97%	12.04%	100.00%

1.3 Allocation of shares

For ordinary shares, the price of each share is 10 dollars

Apr. 01, 2018
Unit: shar; person; %

Shareholding level	Shareholder (persons)	Number (shares)	Shareholding ration (%)
1 to 999	1,798	463,622	0.26%
1,000 to 5,000	8,088	16,947,805	9.51%
5,001 to 10,000	1,438	11,835,419	6.64%
10,001 to 15,000	387	5,032,563	2.82%
15,001 to 20,000	308	5,783,595	3.24%
20,001 to 30,000	213	5,446,163	3.06%
30,001 to 40,000	105	3,778,499	2.12%
40,001 to 50,000	100	4,655,717	2.61%
50,001 to 100,000	133	9,551,481	5.36%

Shareholding level	Shareholder (persons)	Number (shares)	Shareholding ratio (%)
100,001 to 200,000	72	9,896,237	5.55%
200,001 to 400,000	32	8,632,446	4.84%
400,001 to 600,000	24	12,104,704	6.79%
600,001 to 800,000	8	5,793,000	3.25%
800,001 to 1,000,000	5	4,644,349	2.61%
Above 1,000,001	16	73,696,004	41.34%
Total	12,727	178,261,604	100.00%

1.4 Name list of major shareholders

The names, shareholding numbers and ratios of the shareholders who hold more than 5% of total shares or have the shareholding ratios which rank top 10 are as follows:

Apr. 01, 2018

Names of major shareholders	Share held (shares)	Shareholding ratio (%)
Director of Ji Shuang Investment Company	19,005,795	10.66%
Director of Yi Wei Investment Company	12,647,112	7.09%
Lin, Yu-yeh	8,818,782	4.95%
Standard Chartered Bank's Business Department has been entrusted by Credit Suisse Securities (Europe) Ltd.	4,811,000	2.70%
Lin, Yu-Yao	4,266,515	2.39%
Kao, Hsiu-Ming	4,010,513	2.25%
HSBC Bank (Taiwan) Limited has been entrusted for safeguarding Morgan Stanley International Limited's dedicated investment account	3,096,000	1.74%
Director of Ji Chang Investment Company: Song, Bing-Zhong	2,798,955	1.57%
Ya Tai Investment Company	2,400,000	1.35%
Yang, Yi-Shun	2,400,000	1.35%
Huang, Shi-fong	2,318,910	1.30%

1.5 Market Price, Net Worth, Earnings, and Dividends per Share of the Past Two Years

Unit : NT\$; thousand shares ; %

Item	2016	2017	Jan 1 to Mar 31, 2018		
Market Price per Share(Note 1)	Highest Market Price(Note 1)	31.30	45.80	53.80	
	Lowest Market Price(Note 1)	20.80	28.20	37.10	
	Average Market Price(Note 1)	26.74	37.99	41.99	
Net Worth per Share(Note 2)	Before Distribution	27.91	29.06	Not Applicable	
	After Distribution(Note 2)	25.71(Note 2)	26.56(Note 2)	Not Applicable	
Earnings per Share	Weighted Average Shares	165,070	173,068	177,635	
	Earning (loss) per share (before the retroactive adjustment)(Note 3)	3.12	3.77	1.18	
	Earning (loss) per share (after the retroactive adjustment) (Note 3)	3.12	3.77	Not Applicable	
Dividends per Share	Cash Dividends	2.20	2.50(Note 2)	Not Applicable	
	Stock Dividends	Dividends from Retained Earnings	0	0	Not Applicable
		Dividends from Capital Surplus	0	0	Not Applicable
	Accumulated Undistributed Dividends(Note 4)	0	0	Not Applicable	
Return on Investment	Price - Earnings Ratio (Note 5)	8.57	10.08	Not Applicable	
	Price - Dividend Ratio(Note 6)	12.15(Note 2)	15.20(Note 2)	Not Applicable	
	Cash Dividend Yield Rate(Note 7)	8.23%(Note 2)	6.58%(Note 2)	Not Applicable	

Note 1: The highest and lowest market price for common shares of the year, where the averaged market prices are calculated based on the annual trading value and volume. Relevant information are collected from Taipei Exchange (GreTai Securities Market) and Taiwan Stock Exchange Corporation

- Note 2: Refers to the number of issued shares at the end of the year and the distribution finalized at Annual Shareholders' Meeting; 2017 Profit Distribution is not yet finalized at Shareholders' Meeting.
- Note 3: Earning per share before and after the adjustment shall be listed if retroactive adjustment is made due to stock grant. The annual weighted average outstanding shares shall be used to adjust the number of increased shares, which are considered as the result of capital increase by earnings.
- Note 4: Regarding the issuance of equity securities, if it is regulated that undistributed dividend shall be accumulated and released as the annual dividend, the undistributed dividend and annual dividend shall have the undistributed dividend stated until the end of the year.
- Note 5: Price-Earning Ratio = average closing price per share of the year / earning per share.
- Note 6: Price-Dividend ratio = average closing price per share of the year / cash dividend per share.
- Note 7: Cash Dividend Yield Rate = cash dividend per share / averaged closing price per share of the year
- Note 8: The net value and earning per share shall be specified on the information audited (reviewed) by the accountant in the most recent quarter up to the printing of the annual report; other columns shall fill the annual information up to the printing of the annual report. Aforementioned net value per share and earning per share (or basic earning per share) shall be revealed on the 2015 and 2016 consolidated financial statement certified by the accountant and 2018 Q1 consolidated financial statement certified by the accountant.

1.6 The dividend application status

1.6.1. The policy

Article 20 of the Article of Incorporation :

If there is any surplus profit of the year, the Company shall firstly pay directors' remuneration, which shall not exceed 3%. Then 1% to 15% of the remaining amount shall then be paid as employees' remuneration. However, if the Company has any left-over deficit, the amount to make up the deficit shall be reserved in advance.

Upon closing of accounts, if there is surplus profit, the Company shall firstly pay the business income tax, make up the losses for preceding years and then set aside a legal reserve and special capital reserve of 10% of the net profit. Then the remaining profit shall be added with the remaining profit of precedent year. The Board of Directors shall draft a surplus distribution proposal, in which will be submitted to shareholders' meeting to decide whether to distribute or reserve the surplus profit.

However, if cumulative legal reserve already reached the total amount of the Company's capital, shall not be limited by the regulation.

Article 20-1:

The appointed profit shall not exceed 50% to ensure that the development needs of future operation and security of the financial status could be optimized for the Company to response to the overall environment development and the features of industry growth.

1.6.2. The proposed appointment

Subject	In TWD dollar
	Amount
Profit to be appointed	\$ 1,253,286,479
Increment : adjusted reserve profit of 2017(Note 1)	(12,848,330)
After adjusting	1,240,438,149
Increment : 2017 profit after tax	652,950,677
Deduction : Legal reserve	(65,295,068)
Profit to be appointed-total	1,828,093,758
Item : (Note2)	
Shareholder dividend— Cash 2.50/per share	(442,541,073)
Profit reserved	<u>\$ 1,385,552,685</u>

Note 1: Refers to re-measurements of defined benefit plans, which was recognized as other comprehensive income due to actuarial assumption variables of defined benefit / pension plan of 2017 and then transferred into retained earnings, NTD 9,319,670. Besides, subsidiaries and associated corporation which were assessed with equity method and a reduction of reserved profit from joint share adjustment, NTD 3,528,660.

Note 2: The distributed profit was generated mainly in 2017 as the priority.

Note 3: Regarding the dividend distribution rate set in profit distribution proposal, if the 3rd offering of domestic unsecured convertible corporate bonds or employees' execution of employee stock option affects the Company's no. of the weighted average outstanding shares and results in a change of shareholders' dividend declared ratio, it is hereby proposed at the Shareholders' Meeting to fully authorize the Chairman to make an adjustment according to the resolution of the board of directors

Note 4: The distributed cash profit shall be counted only until digit in ones. Digits below shall all be rounded off (shall be rounded down to an integer). Fractional amount less than one dollar should be recorded

1.6.3. The explanation for severe policy adjusting: None.

1.7 The influence of share appointment:

As the Company's shareholders' meeting in 2018 does not have any proposal regarding the stock dividend distribution, it makes no effect upon business performance, earnings per share and shareholders' equity return ratio.

1.8 The dividends and the compensation for directors and supervisors

1.8.1. The percentages or ranges with respect to employee, director, and supervisor compensation, as set forth in the company's Articles of Incorporation.

Subject to the Article of Incorporation, if there is any surplus profit of the year, the Company shall firstly pay directors' remuneration, which shall not exceed 3%. Then 1% to 15% of the remaining amount shall then be paid as employees' remuneration. However, if the Company has any left-over deficit, the amount to make up the deficit shall be reserved in advance. Upon closing of accounts, if there is surplus profit, the Company shall firstly pay the business income tax, make up the losses for preceding years and then set aside a legal reserve and special capital reserve of 10% of the net profit. Then the remaining profit shall be added with the remaining profit of precedent year. The Board of Directors shall draft a surplus distribution proposal, in which will be submitted to shareholders' meeting to decide whether to distribute or reserve the surplus profit.

However, if cumulative legal reserve already reached the total amount of the Company's capital, shall not be limited by the regulation.

1.8.2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

(1) The Company's 2017 Employees' Compensation and Directors Remuneration were estimated based on the pre-tax net profit of the year. Employees' compensation and directors' remuneration were recognized as wage expenses.

(2) Accounting treatment for discrepancy between the actual distributed amount and estimated amount: discrepancy between the amount of remuneration actually distributed to employees and directors, and the estimated amount in financial statement shall be considered as changes in accounting estimates and shall be listed as the loss / profit of next year.

1.8.3. Information on any approval by the board of directors of distribution of compensation:

(1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors:

(1.1) Drafted amount of compensation / remuneration to be distributed to employees, directors and supervisors:

Regarding the 2017 Employees' Compensation and Directors Remuneration, Board of Director already approved the proposal in the meeting held on February 24 of 2018, where NT\$89,000,000 will be distributed to employees as compensation and NT\$10,430,532 will be distributed to directors as remuneration.

Unit: dollars

Subject	Amount to be appointed
Employees' Compensation-Cash dividends	89,000,000
Employees' Compensation-Stock dividends	0
Director and supervisor compensation	10,430,532

(1.2) The cause of the difference and the operation:

The 2017 estimated dividends are 89,000,000 dollars and the director compensation is 10,430,532 dollars without any difference.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation:N/A

1.8.4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

Unit: TWD

Item	The appointed profit for 2017			
	The appointed amount	Estimated amount	Difference	Cause
Status				
1.Cash dividends				
2.Stock dividends	75,452,319	75,452,319	0	0
(1)Stock				
(2)Cash	0	0	0	0
3.Compensation	0	0	0	0
for directors	7,545,232	7,545,232	0	0

1.9 Buy-back: None

2. Bonds:

(一) Outstanding Corporate Bond

Types of Corporate Bond (Note 2)		Third Onshore Unsecured Convertible Bond (Note 5)
Issue Date		August 22, 2016
Denomination		NT\$100,000 each
Issuance & Trading Location (Note 3)		Not Application
Issue Price		Issue according to the full amount of the denomination
Total Amount		NT\$500 million
Interest Rate		0% Annually
Maturation Date		Three Years, Maturation on August 22, 2019
Guarantee Institution		None
Trustee		Fubon Bank's Trust Department
Underwriter		Fubon Securities Co., Ltd.
Bond Lawyer		Yang-Yi Cheng
Bond Accountant		Lin, Chun-Yao & Chang, Shu-Chiung
Repayment Method		According to the Clause 6 of the issue and conversion method of our company's third onshore unsecured corporate bond for 2016, denomination in cash is to be paid upon maturity, except those cases when the convertible bond holders convert the bond into common stocks in accordance with clause 10 or early redemption from the securities company's business office in accordance with Clause 18.
Outstanding Principal Amount		NT\$319,900,000
Redemption or Advance Repayment Clause		Please refer to the issue and conversion method of our company's third onshore unsecured corporate bond for 2016.
Restriction Clauses (Note 4)		Please refer to issue and conversion method.
Credit Rating Agency Name, Rating date, Rating Outcome		Not Applicable
Other Attached Rights	Up till the time of the printing of the annual report, the amount money of the conversion (exchange or buyback) of bonds into common stocks, overseas depositary receipt or other securities.	After the issuance of the corporate bond, the accumulated exercised conversion right amount up till the time of the printing of the annual report is NT\$317,100,000.
	Issue & Conversion (Exchange or Buyback) Method	Please refer to the issue and conversion method of our company's third onshore unsecured corporate bond for 2016.
Issue and conversion, exchange or buyback methods, issue conditions that may dilute equity and affect the present shareholders' equity.		Calculate the remaining corporate bond value according to the present conversion price if all convertible bonds are exchanged to become common stocks, then our company needs to reissue common stocks of 6,875,939 shares with a capital inflation rate of 3.86%, which would have limited influence on shareholders' equity.
Entrusted Institution of the Convertible Bonds		Not Applicable

Note1: Corporate bond issuance process includes the process of public and private equity of corporate bond. The processing of public equity of corporate bond means the process has been approved and in effect. The processing of private equity of corporate bond means it has been passed by the Board of Directors.

Note 2: The number of columns can be adjusted according to the number of processing times.

Note 3: For offshore corporate bond holders to fill in.

Note 4: Such as restrictions on the payment of cash dividends, investment abroad or request maintaining a certain equity asset ratio, etc.

Note 5: For private equity holders, please mark in a noticeable manner.

Note 6: For convertible corporate bond, exchange corporate bond, shelf registered corporate bond or equity warrant bond, please disclose relevant information according to the features in the table format.

(二) Convertible Corporate Bond Information

Unit: New Taiwan Dollar

Types of Corporate Bond (Note 1)		Third Onshore Unsecured Convertible Bond	
Item / Year		Year 2017	From the beginning of 2018 till March 31, 2018 (Note 4)
Market Price of Convertible Corporate Bond (Note 2)	Maximum	162.00	175.00
	Minimum	109.00	153.00
	Average	130.89	157.78
Conversion Price		26.60	26.60
Issue Date & Conversion Price at Issuance		Issue Date: August 22, 2016 Conversion Price at Issuance: NT\$28/Share	
Obligation Method for Executing the Conversion (Note 3)		Issue new shares	

Note 1: The number of columns can be adjusted according to the number of processing times.

Note 2: If there are multiple trading locations for offshore corporate bond, please list the prices according to trading locations.

Note 3: Deliver issued shares or new shares.

Note 4: The annual information should be filled up to the time of the printing of the annual report.

(3) Shelf registered corporate bond: None

(4) Information on equity warrant bond: None

3. Preferred Stock : None

4. Global Depository Receipts : None

5. Employee Stock Options :

5.1 Unexpired employee subscription warrants issued by the company in existence as of the date of printing of the annual report, and the effect of such warrants upon shareholders' equity.

April 30 of 2017

Types of Employee Subscription Warrants (Note 2)	1 st Employee Subscription Warrants of 2015
Report Effective Date	July 15, 2015
Issuance (handling) date (Note4)	September 11, 2015
Number of issued units	3,956,000 units Every unit can subscribe one common stock
Percentage of issued subscription shares to total issued shares (%)	2.2192%(Note 6)
Validity of share subscription (stock option)	September 11 2017 to September 10 2021
Method of Performance (Note 3)	To issue new shares
Period with limitations in share subscription and the ratio (%)	Share subscribers may, two years after the second day of the issuance date, perform their share subscription according to below schedule. The proportion of performing share subscription accumulated during the share subscription warrant granting period. After 2 years 50% After 3 years 75% After 4 years 100%
Acquired number of shares	1,795,500 shares
Amount of subscribed shares	NT\$31,062,150
Number of non-subscribed shares	2,059,500 shares
The subscription price of each share for people have not yet subscribed the share.	NT\$17.30
Percentage of non-subscribed shares to total issued shares (%)	1.1553%(Note6)
Effect of warrant upon equity to shareholders	The validity employees' share subscription warrant is 6 years. Share subscribers shall, starting 2 years after the second day of the issuance date, implement it three times in three years, which helps to lessen effect on the equity to original shareholders year by year. Therefore, the dilution effect is somehow limited.

Note 1: The status of processing employee share subscription warrants may refer to ongoing public or private placement for employee share subscription warrants. The ongoing public placement for employee share subscription warrants refer to those that have become effective, whereas ongoing private placement for employee share subscription warrants refers to those that have passed resolution of the Shareholders' Meeting

Note 2: The number of columns shall be adjusted according to the number of times of holding it.

Note 3: Shall note down the consignment of issued shares or issuance of new shares

Note 4: Those with different issuance and handling dates shall have them listed separately.

Note 5: Those that belong to private placement shall be marked in obvious ways.

Note 6: Here the "total issued shares" in "Percentage of issued subscription shares to total issued shares (%)" is calculated based on the total number of issued shares up to the printing of the annual report (April 30 of 2018), which is 178,261,604 shares.

Note 7: The Company's 1st Employee Stock Option Certificates (Share Subscription Warrants) Plan of 2015 was approved by the competent authority to issue 4,000,000 units. The Company has, on September 11 of 2015, issued 3,956,000 units. Up to the printing of the annual report (April 30 of 2018), the number of approved non-issued employee share subscription warranty is 44,000 units.

5.2 Up to the printing of the annual report, the name and acquisition / subscription status of managers who have acquired employee share subscription warrants and the top ten employees who have acquired share subscription warrants and are eligible to subscribe the shares.

April 30, 2018

	Job Title (Note 1)	Name	Number of share subscription with subscription (thousand shares)	Percentage of share subscription to the total issued shares	Performed (Note 2)				To be Performed (Note 2)			
					Quantity of share subscription (thousand shares)	Price of share subscription (NT\$)	Amount of share subscription (NT\$1,000)	Quantity of share subscription to the total issued shares	Quantity of share subscription (thousand shares)	Price of share subscription (NT\$)	Amount of share subscription (NT\$1,000)	Quantity of share subscription to the total issued shares
Managers	Group GM	Chen Chien-Tun	715	0.40%	322	17.30	5,570.60	0.18%	393	17.30	6,798.90	0.22%
	Divison GM	Huang Tsung-Wen										
	Divison GM	Chang Jui-Ju										
	Divison VGM	Li Ruei-wen (Note 7)										
	Divison VGM	Lin Chih-jen (Note 8)										
	Divison VGM	Lu Chieh-Kuo (Note 8)										
	Divison VGM	Hsu Ta-chang (Note 8)										
	Divison VGM	Lo Ssu-yuan (Note 8)										
	Divison VGM	Tseng Lien-huang (Note 8)										
	Vice General Manager / Supervisor of Financial Department	Hsieh Ming-Chu										
Supervisor of Accounting Department	Chung Chi-Wen											
Employees (Note 3)	Top Ten Employees	Hou Kun-Yu	600	0.34%	297.5	17.30	5,146.75	0.17%	302.5	17.30	5,233.25	0.17%
		Hou Fu-Chia										
		Chen Kuo-Ching										
		Li Chi-Ming										
		Lin Tzu-Min										
		Yang Yuan-Chih										
		Li Te-ching										
		Chung Li-kai										
		Huang Yin-nan										
Liu, Chign-pao												

Noe 1: Managers or employees (those who already resigned or dead shall be noted down accordingly), their names and job titles shall be revealed. However, their status of acquisition and subscription shall be stated in a summarized form.

Noe 2: The number of columns shall be adjusted according to the number of times of holding it.

Noe 3: The top ten employees refer to employees who have acquired share subscription warrants and are eligible to subscribe the shares. However, managers are excluded in the case.

Noe 4: Here the "total issued shares" refers to the total number of issued shares up to the printing of the annual report (April 30 of 2018), which is 178,261,604 shares.

Noe 5: When the rights of the employ stock option have been executed, the option price should be disclosed.

Noe 6: When the rights of the employ stock option have not been executed, the adjusted option price according to the issue method should be disclosed.

Noe 7: Mr. Ruei-Wen Li was promoted to become the Deputy General Manager on February 1, 2017.

Note 8: Vice Presidents Mr. Lin Chih-Jen, Lu Chieh-Kuo, Hsu Ta-Chang, Lo Ssu-Yuan and Tseng Lien-Huang took office on April 11, 2018

6. New Restricted Employee Shares:

6.1 As to the report was printed, the related regulation was not applicable.

6.2 The top-10 employees applicable for the share limitation: N/A

7. Status of New Issuance in Connection with Mergers and Acquisitions:

7.1 Share issuance for merger: N/A

7.2 Share issuance for acquisition: N/A

8. Financing Plans and Implementation:

Our company issued the third onshore unsecured convertible corporate bond on August 22, 2016, and the execution of the plan for the use of the fund is as follows:

8.1 Plan

8.1.1. Planned total amount of fund required: NT\$500 million.

8.1.2. The source of fund: Issued 5000 third onshore unsecured convertible bonds with the denomination of NT\$100,000 per bond. The issuance is according to the full amount of the denomination with 3-year maturity and 0% interest rate. The expected amount of fund raised is NT\$500 million.

8.1.3. Planned project and the progress of the use of the fund

Unit: NT\$1000

Planned Project	Expected Completion Date	Total Fund Required	The planned progress of the use of fund
			Year 2016
			Season 3
Repayment of bank loans	Season 3 of 2016	500,000	500,000
Total		500,000	500,000

8.1.4. Expected Possible Benefits

The purpose of this financing plan of our company is to repay the bank loan of NT\$500 million. Using the bank loan interest rate to calculate our repayment, it is expected that our company can save the actual interest expenditure of NT\$1.667 million in 2016. Hereafter, it is expected that our company can save actual interest expenditure of NT\$5 million per year. Moreover, this plan can strengthen our company's financial structure as well as enhance our current ratio and quick ratio. In addition, the conversion of convertible corporate bond can contribute to the soundness of our financial structure, which can be beneficial to the overall operational development of our company.

8.2 Implementation Status

The Company's 3rd offering of domestic unsecured convertible corporate bonds was completed on August 22, 2016 and implemented in the third quarter of 2016 according to the schedule.

Unit: NT\$ thousands; %

Project	Implementation Situation	Implementation Status		Reasons for advanced or delayed progress, and improvement plan.
		Amount of Expenditure	Implementation Progress	
Repayment of Bank Loans	Scheduled	500,000	100%	The implementation is completed according to the schedule.
	Actual	500,000	100%	

Part 5. Operational Highlights

1. Business Activities

1.1 Business Range

1.1.1. Contents of business range

MIC and its subsidiaries (referred to collectively as MIC hereafter) perform business in the following four categories:

- (1) Sales and service of high-tech equipment and materials: MIC provides sales, distribution, service and technical support for process and factory management infrastructure for high-tech industries such as semiconductor manufacturing and photo-electronics, as well as the associated materials, chemicals and parts/components.
- (2) Automatic supplying systems: MIC provides planning, design, construction, supervision, installation, testing, operating consultation and warranty service for gas supply, automatic chemical feeding system, special gas and factory monitoring systems for high-tech industry facilities such as those in semiconductor manufacturing, photo-electronics and biochemical and pharmaceutical companies.
- (3) Total Facility Engineering Turnkey Project: for this part, MIC provides service for turn-key projects for high-tech industry facilities such as those in semiconductor manufacturing, photo-electronics and biochemical and pharmaceutical companies from electrical system, clean room, factory peripherals to process equipment. Also, MIC is known for the integration of electrical systems in, for example, petrochemical compound, traditional industry facilities and smart buildings.
- (4) R&D and manufacturing of customized equipment: MIC designs and builds automatic factory and process equipment to the needs of clients in semiconductor manufacturing, photo-electronics and other high-tech industries as well as traditional industries.

1.1.2. Business percentages

Product or service cat.	Year	In NT\$1,000 or %			
		2016		2017	
		Business incomes	Business %	Business incomes	Business %
R &D and manufacturing of customized equipment		4,926,629	26.42	5,980,118	29.59
Sales and service of high-tech equipment and material		5,139,244	27.55	5,051,537	24.99
Total Facility Engineering Turnkey Project		4,530,809	24.29	4,716,085	23.33
Automatic Supplying system		4,054,259	21.74	4,464,254	22.09
Total		18,650,941	100.00	20,211,994	100.00

Note: Disclosed based on the consolidated reports of 2016 and 2017 as certified by accountant.

1.1.3. Current lines of product (service) offered by MIC

- (1) Sales and service of high-tech equipment and materials:

(1.1) Semiconductor mask process

- Photoresist application equipment
- Development and etching equipment
- Mask cleaning equipment
- Positive photoresist cleaning agent
- Positive photoresist cleaning (removal) agent

- Chromium etching solution
- Positive photoresist development solution
- Mask flatness measuring equipment
- Mask circuit design software
- Mask Laser Pattern Generator
- Mask Inspection
- Mask Laser Repair
- EUV Mask Reflectometer
- EUV Mask Pellicle Transmission Measurement Tool
- Mask Critical Dimension Measurement Tool

(1.2)IC manufacturing process

- Wafer defect inspection equipment
- Wafer defect inspection equipment for residual chemicals and electric charges
- X-Ray film measurement system
- Vertical furnace
- Batch-type BCD process tool
- MMT plasma Nitridation/Oxidation system
- Ion Implanter
- 4-point probe electric resistance measurement system
- Wafer backside/edge inspection tool
- Chemical/mechanical wafer cleaning brush
- Chemical/mechanical abrasive discs
- Silicon carbide (SiC) chips
- Silicon carbide (SiC) Powder
- Special gas for manufacturing process
- Unique chemical solution for the production process of filming (TDMAS, TDMAH etc.)
- Wafer chemical cleaning etching solution for production
- Oring for production
- Graphite material / component for production
- Ceramic material / component for production
- Quartz process kit for furnace tool
- Temperature and humidity control equipments for Track machine
- Chemical filter for Scanner and Track
- Chemical filter for factory gas
- Lens filter for Scanner
- Photoresists for production
- Stripper for production
- Filter for solutions used in the production
- Thinner and wafer edge bead removal for production
- Production parameter analysis software
- Physical parameter measurement systems
- IC rear end: TR FVI
- Integrated Gas Delivery System
- TAISEI cleaning room / machine antiseismic design

- THK seismic isolation plate
- 4-point probe measurement system
- Single wafer heating equipment
- Dicing UV cure system
- Wafer overlay error measurement system
- High-Quality cleanroom wiper
- Multi-functional cofocal microscopy

(1.3) IC packaging process

- WLCSP Ball Mounter
- WLCSP Inspection & Repair
- WLCSP Solder ball composition and thickness XRF metrology
- Macroscopic and microscopic examiners
- IC coplanarity examiner
- Defoaming mixer
- Coplanarity tester (stamp-sized flash memory card)
- Die Attach
- Under Fill
- PR Stripper
- EBR
- Cu/Silver Alloy Bonding wire

(1.4) LCD and color filter processes

- Dry etching system
- Laser cutting tools for glass/COP/PET/PI
- Defect inspection and repair for color filters
- Glass substrate transportation
- Automated warehouse
- Automatic guided vehicles and railed vehicles
- Cofocal laser microscopes
- Mask inspection system
- Etching, photoresist removal, cleaning, developing, glass regeneration tools and sealants
- Polarizing, sealant removal, regeneration and cleaning tools and FA systems
- Module lamination equipment
- Aging equipment
- Liquid crystal injector
- Sealing machine
- 3D non-contact shape inspector
- Roll-to-roll embossing
- TFT materials: photoresist, metal targets
- CF materials: sensitive separator, BM photoresist, White Color photoresist、QD Material
- CELL materials: glass cleaning bands/ Brush, glass cutting wheels, ODF Sealant, Grinding Wheel
- LCM materials: Anti-water Glue、Protect Glue
- LCM materials: inductors

- FPCB materials: PI materials, PV vanish
- Thinning materials: sealants, cleaning agent
- Touch screen materials: OCR, Hard coat materials, Intelimer Tape
- OLED materials: materials for luminescent layer, electron hole layer and electron layer, and metal mask cleaning agent, Barrier Film 、 Supporting Film

(1.5) GaAs process for LEDs

- EPI-Wafers
- Substrates
- Organic metal materials
- Green SiC abrasive powder (GC)
- B₄C abrasive powder
- Abrasive pads
- Abrasive slurry
- Photoresist)
- Sapphire wafer material: Al₂O₃
- X-ray diffraction (XRD) for sapphire wafers and substrates
- Sapphire substrate polishing and abrasion equipment (CMP)
- Sapphire substrate flatness measurement
- Dicing Saw and Lapping
- Al₂O₃ blocks
- Diamond wires
- HRXRD X-Ray film measurement
- XRD X-Ray tools
- Sapphire substrate/wafer flatness measurement tools

(1.6) Front end process for LEDs

- Sapphire PSS AOI machine

(1.7) Passive elements

- Carrier-type inspector for passive elements / TR FVI / Laser etching machine

(1.8) Solar power equipment:

- PECVD Si₃N₄ coating and SiO₂ coating machines
- DF POCL3 P dopant high resistance production machines and high-temperature annealing machines
- Inline multi-chip acid etching tools
- Inline PSG machines
- Inline PSG + machines
- Single-chip etching production machines
- Auto load/unload /semi-auto machines
- Single-chip non-alcohol etching additives
- Silver powder (pellets, flakes) / AgCu powder (flakes)
- Single/multi-chip backflip additives
- With coating, without coating graphite boat, Graphite plate, Graphite PIN, Ceramic Stick, Ceramic Rod

(2) Total Facility Engineering Turnkey Project:

- (2.1) Design, manufacturing, construction, installation and testing of automatic gas supply system
- (2.2) Design, manufacturing, construction, installation, testing and after service of automatic chemical supply system
- (2.3) Design, construction, installation, testing and after service of systems for ultrapure water, pure steam, injection water and wastewater treatment
- (2.4) Operating service
- (2.5) Factory automation

A. Factory management and control system (FMCS)

- a. Design, construction, installation, testing and after service of automatic special gas control system and total factory management system
- b. Design, construction, installation, testing and after service of automatic clean room management system and automatic HVAC and air conditioning management system
- c. Consultation system and performance improvement for energy management system for the manufacturing industry

B. Computer-integrated manufacturing (CIM)

- a. Sales and distribution of MES (Manufacturing Execution System), its introduction and after service
- b. Sales and distribution of APC (Advance Process Control) system, its introduction and after service
- c. Consultation, and development of customized automatic factory systems
- d. Sales and distribution of dry pump & heater monitoring and warning system to predict possible malfunctions in order to prevent discarding of defected wafers and cut the costs for wafer foundry.
- e. Introduction and after service of RFID applications to allow for traceability and information feedbacks of products in the logistics supply chain and production history.

C. Importing of automation products

- a. Importing and sales of energy efficiency and CO2 reduction management system (BizShaker_Green)
- b. Importing and sales of expert system for dry pump management (BizShaker_Foresight)
- c. Importing and sales of gas management system (BizShaker_GMS)
- d. Customized control system ODM
- e. Factory management system (BizShaker Facility Monitoring Control System)
- f. Remote control system for safe production of coal mining (BizShaker MMCS)
- g. Intelligent solar power management system (BizShaker Solar)
- h. Automatic building management system (BizShaker Building Management System)

- (2.6) Information, communications, corporate information and program service
- A. Enterprise resource planning (ERP)
 - B. New Generation Business Discovery
 - C. Big Data
 - D. Security
 - E. Consultation Service
 - F. Implementation Service
 - G. Customization Service
 - H. Cloud service planning and development
 - I. Intelligent School Solutions
 - Flipped learning
 - Touched reading
 - Rewarding mechanism
 - Assessment and test
 - Teaching Content
 - Smart general affairs
 - J. Information/communication solution introduction and system integration
 - Business Support Systems and Operation Support Systems for telecommunications business
 - Customer Relationship Management System
 - Charging and Billing System
 - Order Management System
 - Provisioning System
 - Fault Management System
 - Performance Management System
 - Call Center System
 - K. Value-added service system
 - Enterprise Short Message System
 - e-Books System
 - Content Management Platform
 - Voice mail VPN system
 - L. Planning and consulting for communication systems
 - System framework analysis and design
 - Business demand analysis
 - Call center system planning
 - Network administration center system planning
 - M. Importing and sales of software and hardware of communications and corporate information service
 - Servers, network equipment and storage equipment
 - OS, database programs, middleware, and application software authorization
 - N. Outsourced management for information/communication systems
 - Information data center and leasing
 - eMail rental
 - PC servicing
 - Web hosting
 - Web management
 - Application operation maintenance
 - O. Sensing and messaging platform
 - Beacon sensing smart marketing system

- Smart image recognition system
 - P. Application System Performance
 - Q. New Generation Internet Surveillance and Warning System
 - R. Automated meeting room asset management system - AMM
 - S. Radio voice integration solution - KoKoRadio
 - T. E-Commerce Platform design and installation services - eCommerce Service
 - U. Smart Healthcare Service Platform and Smart Hospital Solution
- (3) Total facility engineering turnkey project
- (3.1) Turn-key projects for high-tech factories, pharmaceutical factories and biotechnical labs
 - (3.2) Total turn-key hook-up projects for high-tech factories, pharmaceutical factories and biotechnical labs
 - (3.3) Electric/mechanical system projects for petrochemical factories, traditional industrial facilities and intelligent buildings
 - (3.4) Engineering projects for mass transit system
 - (3.5) Biochemical and medical facilities
 - (3.6) Water resource and energy management
 - (3.7) Information data center project
- (4) R&D and manufacturing of customized equipment:
- (4.1) Design and manufacturing of automatic production systems for photo-electronics industry
 - (4.2) Total design and development solutions for production information integration system
 - (4.3) Design and production of image inspection equipment
 - (4.4) Turn-key projects for Patterned Sapphire Substrate (PSS) process equipment for LEDs
 - (4.5) Design and production of automatic logistics system for IT industry
 - (4.6) Design and production of automatic logistics system for biotechnical and medical industries
 - (4.7) Design and production of automatic logistics system for food industry
 - (4.8) Design and production of automatic logistics system for traditional industries
 - (4.9) Equipment OEM
 - OEM equipment production
 - Technical design for ODM equipment
 - Precision vacuum chamber assembly and production
 - Search and production of precision machined pieces
 - Local production of parts and components
 - Global sourcing and purchase of parts

1.1.4. New product planning and development (service)

- (1) Expansion off depth and breadth of imported product lines to set foot in the semiconductor testing at the rear end and LCM for TFT-LCD
- (2) Development of total high-tech factory integration capability, lateral integration of engineering ability for pure water and process cooling, upward integration with ME engineering and total factory solution and downward development of integrated connection with process equipment in the factory.
- (3) Development of design and installation of facilities for typical industries, such as petrochemical and traditional factories
- (4) Development of HMI for automatic delivery system and system service patterns
- (5) LED wafer process equipment
- (6) Automatic testing techniques
- (7) CIM techniques
- (8) Continue to work with original manufacturers for the development of equipment modules, and develop process equipment or join force with clients for customization of process equipment based on market demands and clients' needs.
- (9) Development of ESD (Electronic static Discharge) real-time monitoring system, manufacturing industry project program outsourcing, and energy analysis for manufacturing facilities and processes.
- (10) Information/communications, corporate information and software service
 - (10.1) Importing or development of important service elements in digital content service platform, including:
 - Payment gateway that deals with payment verification and transactions
 - Digital rights management used for the management of download and play authorization for digital contents and content encryption/decryption.
 - Mobile device management: management of firmware, OS, web browsers, content players and APPs at the intelligent end to provide the service platform that telecommunication clients need for 4G service development.
 - (10.2) R&D project for corporate service platform products:
 - Information action inquiries for corporate decision making
 - Information action inquiries for corporate business
 - New generation corporate information management system
 - Corporate decision making analysis products
 - (10.3) Development of the technology of Big Data information analysis platform
 - (10.4) Development of the IoT power consumption application technology
 - (10.5) A collaborated research on information security technology
 - (10.6) Self service kiosk and cloud management platform, including ordering, ticketing and retailing services, which can save man power and enhance convenience.)
- (11) Augmented reality cloud recognition and content management platform, a new type of marketing instruments for enterprises or stores which provides original AR contents and can be freely updated and maintained.
- (12)PHM(Prognostic and Health Management): Regarding the MOCVD/PECVD/Dry Pump equipment defect pre-diagnosis system, it provides an early warning, reduces product defects and increases the utilization of facilities.
 - (12.1) NRF (Next n-Run failure): PHM NRF function can predict whether the critical components will fail during the next n-run process.
 - (12.2) RUL (Remaining Useful Life): PHM RUL function can predict the remaining life of the critical components.
 - (12.3)PHM benefits:
 - Early detect the abnormal pattern of components and find the source of failure quickly.
 - Immediately predict whether components will fail during the next n-runs process to reduce cost of consumables.

- Estimate remaining useful life of critical components to optimize the maintenance schedules.
- (13) Industry 4.0 Expert Consultant Team: MIC can provide intelligent machinery/robot technical services, Internet of things technical services, manufacturing digital services, big data technology services, etc. For automation technology services, MIC can provide automated material storage and transportation technology, automated manufacturing technology, automation system integration planning technology, etc.
 - (14) Image Security and Surveillance System: System designed based on on-site environment, which integrates and optimizes existing CCTV recordings to provide intuitive, smart and blindspotless surveillance system.
 - (15) Smart Healthcare Service Platform and Smart Hospital : Healthcare Platform · Medical Equipment Cloud · Community Health Station and Smart Treatment, etc.

1.2 Current status of industry

1.2.1 Current status and development of industry

MIC's revenues come mostly from selling and maintenance of equipment and materials for ICs, TFT-LCDs, LEDs, color filters, GaAs, IC packaging, flip-chip substrates, and solar panels in high-tech and traditional industries in addition to the planning, design, construction, installation and testing automatic management systems for gases, chemicals and monitoring systems used in high-tech industries. Since 2003, MIC has started the manufacturing of process equipment in addition to the original design, manufacturing and installation of factory equipment. MIC is always on the lookout for any opportunity to join force of major players around the world and build up our own OEM and ODM capabilities, strengthen local ODM development and ultimate establish our own edge in the competitive market. The following provides the breakdown of the industries that MIC is involved

(1) IC (Semiconductor) Industry

① Current Status and development of Worldwide IC industry

The top ten list puts Apple in second place behind Samsung in terms of semiconductor spending, with Gartner reporting the iPhone producer spent approximately \$38.754 billion on the components in all of 2017, giving it a market share of 9.2 percent. Compared to the \$30.39 billion reportedly spent in 2016, this is said to represent a growth in spending by Apple of 27.5 percent.

Ahead of Apple, Samsung spent \$31.426 billion on the chips in 2016, just over a billion more than Apple did in the same year. In 2017, Samsung is claimed to have spent \$43.108 billion on the chips, a 37.2 percent year-on-year increase and \$4.3 billion more than Apple's expenditure in the same period, giving the South Korean electronics giant a 10.3 percent share of the market.

Combined together, Samsung and Apple consumed \$81.8 billion in semiconductors in 2017, according to the report, an increase of more than \$20 billion compared to what they spent in total the previous year.

Table 1. Preliminary Ranking of Top 10 Companies by Semiconductor Design TAM, Worldwide, (Millions of Dollars)

2016 Ranking	2017 Ranking	Company	2016	2017	2017 Market Share (%)	Growth (%) 2016-2017
1	1	Samsung Electronics	31,426	43,108	10.3	37.2
2	2	Apple*	30,390	38,754	9.2	27.5
3	3	Dell	13,544	15,702	3.7	15.9
4	4	Lenovo	13,384	14,671	3.5	9.6
5	5	Huawei	10,792	14,259	3.4	32.1
7	6	BBK Electronics	6,411	12,103	2.9	88.8
6	7	HP Inc.	8,906	9,971	2.4	12.0
8	8	Hewlett Packard Enterprises	6,124	7,199	1.7	17.5
11	9	LG Electronics	5,162	6,537	1.8	26.6
13	10	Western Digital	4,470	6,210	1.5	38.9
		Others	212,906	251,206	59.9	18.0
		Total	343,514	419,720	100.0	22.2

TAM = total available market
Source: Gartner (January 2018)

Trailing behind Apple is Dell in third, spending \$15.702 billion in 2017, followed by Lenovo's \$14.671 billion expenditure, and Huawei's \$14.259 billion. The rest of the list consists of BBK Electronics, HP Inc., Hewlett Packard Enterprises, LG, and Western Digital.

It is reported approximately \$419.72 billion was spent on semiconductors in 2017 across the entire market, representing an overall growth in spending of 22.2 percent.

While the increased semiconductor spending could be attributed to higher sales of products, price increases of DRAM and NAND flash memory also played a part raising costs for the firms. Supply shortages forced price rises for memory throughout the year, as well as supply issues in fields such as microcontrollers, caused prices to inflate, and the majority of hardware producers are effectively forced to spend more to acquire the harder-to-attain components.

According to Gartner, the top 10 producers included in the list accounted for 40 percent of the total semiconductor market in 2017, up from 31 percent from ten years ago. The firm expects the trend to continue, predicting that the top 10 producers will account for more than 45 percent of total market spending by 2021.

10 nm nodes began mass production in 2017, with the revenue expected to reach about \$3.72 billion, accounting for more than 95% of the yearly foundry revenue growth.

The 2017 top ten ranking of foundries remains the same as last year, with TSMC, GloFo and UMC in the first, second, and third slots

Table 2. Top 10 Worldwide Semiconductor Foundries by Revenue

Ranking	Company	Revenue (in US\$ Million)			2017 Market share
		2016	2017 (estimated)	YoY Growth	
1	TSMC	29,437	32,040	8.8%	55.9%
2	GLOBALFOUNDRIES	4,999	5,407	8.2%	9.4%
3	UMC	4,587	4,898	6.8%	8.5%
4	Samsung	4,284	4,398	2.7%	7.7%
5	SMIC	2,914	3,099	6.3%	5.4%
6	TowerJazz	1,249	1,388	11.1%	2.4%
7	Powerchip	870	1,035	18.9%	1.8%
8	VIS	801	817	2.1%	1.4%
9	Hua Hong Semi	721	807	12.0%	1.4%
10	Dongbu HiTek	666	676	1.5%	1.2%

Note: Samsung and Powerchip are the only IDM foundries included in this table, and the numbers are an estimate of their foundry service revenue.

Source: TrendForce, 2017/11

TSMC has a dominant market share of 55.9% due to its high production capacity and a fast yearly growth above the average level worldwide. GLoFo had revenue growth of 8.2% as a result of higher total production capacity and a higher utilisation rate. UMC has begun mass production of 14 nm nodes this year, but the revenue of it only accounts for 1% of the entire annual revenue. However, driven by increased total production capacity and re-arrangement of product portfolio, the revenue growth turns out to be 6.8%.

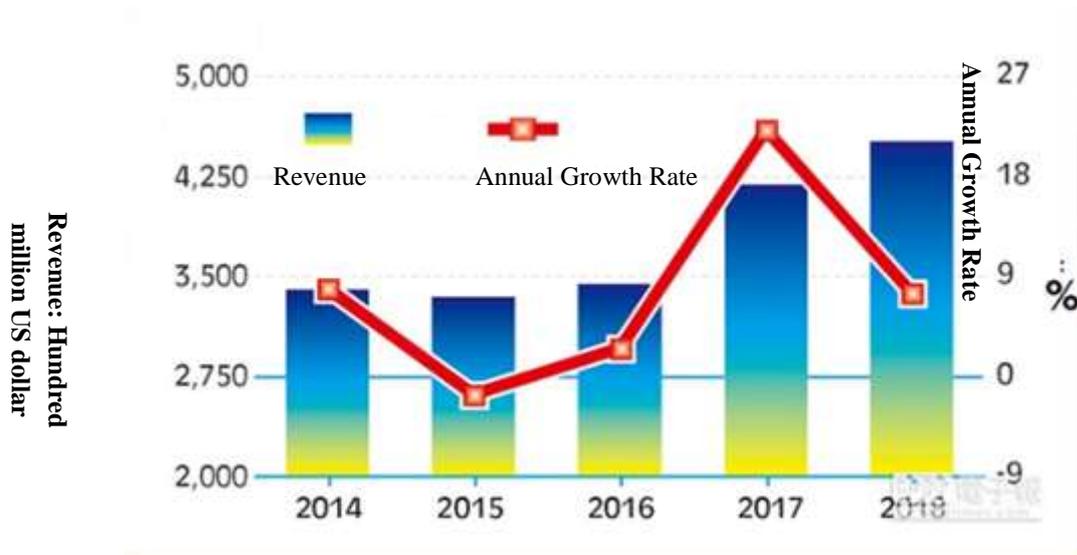
Samsung, although leading in 10nm process technology, has limited growth due to having only Qualcomm is its major 10nm client. SMIC has constantly expanded its capital expense, but the growth rate is lower than the average because the actual added production capacity is limited in 2017 and the bottleneck of 28nm yield rate has not be overcome yet.

Tower Jazz and Hua Hong have raised their production capacity to gain more than 10% growth while the market shows constant demand for 200mm wafer.

Powerchip has a high growth rate as it has increased the proportion of foundry services in its entire business. As for next year, the advancement of process technology will still be a focus of industry, and 7nm nodes are expected to drive the revenue.

On the other hand, driven by demand for electric vehicles and 5G, foundries are taking active part in development of the 3rd-generation semiconductor materials such as SiC and GaN, which will bring more changes in industry chain. For example, TSMC provides GaN foundry services and X-Fab announces that SiC foundry services will contribute to revenue in Q4 of 2017.

Chart 1: Gartner: Worldwide Semiconductor Annual Growth Rate Forecasts



Source: Gartner Data Management: Tu Chih-Hao Draftsman: Wang Ying-Lan
 Source: Gartner, 2018/01

Gartner, the international research and advisory company, has raised the annual global growth rate of semiconductor market to 7.5% this year based on the memory market of 2018 better than expected. Compared with the previously prediction of 4%, the increase range is nearly double. Although Gartner believes that the output value of the memory market will be dropped in 2019, it will cause small impact on entire semiconductor industry and just a slight decline in the global semiconductor sales. Gartner's original forecast showed that the output value of global semiconductor market in 2018 would grow by 4% compared with last year. However, due to the memory market condition better than expected, the global semiconductor sales is expected to increase US\$23.6 billion and the overall market size will reach US\$451 billion. The growth rate will be 7.5% from the US\$419 billion of 2017. The excellent performance throughout the year 2017 will last to 2018 and drive the global growth of the semiconductor industry better than expected. Of the added value US\$23.6 billion of this revision, US\$19.5 billion come from the memory market. The main reason is expecting that the prices of DRAM and NAND Flash will keep going up this year.

Based on the quarterly review, Gartner expects that the semiconductor market sales in the first quarter of this year will experience a regular slack season effect. The quarterly rate of decrease is estimated at about 4-6%. The second and the third quarters will enter the high season of inventory replenishment and the sales value will show a quarter-over-quarter growth trend. The fourth quarter is estimated a slight drop compared with the previous quarter.

Gartner expects the semiconductor market growth rate of this year, the memory market excluded, will be reduced from 9.4% of 2017 to 4.6%, However, the growth of field-programmable gate arrays (FPGAs), optoelectronic devices, application-specific integrated circuit (ASICs), non-optical sensors, etc. will be more prominent. As the application-specific standard parts (ASSPs), this market is notable this year because the applications of graphics processing units (GPUs) in e-sports and high-performance computing have increased, as well as have revised up the forecasts of automotive semiconductors and wired communication chips market.

Table 3 2017E Top 10 Fabless/System IC Companies Revenue

2017E Top 10 Fabless/System IC Companies (\$M)

2017E Rank	Company	Headquarters	2016 Tot IC	2017E Tot IC	2017/2016 % Change
1	Qualcomm	U.S.	15,414	17,078	11%
2	Broadcom Ltd.	Singapore	13,846	16,065	16%
3	Nvidia	U.S.	6,389	9,228	44%
4	MediaTek	Taiwan	8,809	7,875	-11%
5	Apple*	U.S.	6,493	6,660	3%
6	AMD	U.S.	4,272	5,249	23%
7	HiSilicon	China	3,910	4,715	21%
8	Xilinx	U.S.	2,311	2,475	7%
9	Marvell	U.S.	2,407	2,390	-1%
10	Unigroup**	China	1,880	2,050	9%
—	Top 10 Total	—	65,731	73,785	12%
—	Other	—	24,694	26,825	9%
—	Total Fabless/System	—	90,425	100,610	11%

*Custom ICs provided by foundries for internal use.

**Includes Spreadtrum and RDA

Source: Company reports, IC Insights' Strategic Reviews database

Source : IC Insights , 2018/01

IC Insights is currently researching and writing its 21st edition of The McClean Report, which will be released later this month. As part of the report, a listing of the 2017 top 50 fabless IC suppliers will be presented.

Figure 1 shows the top 10 ranking of fabless IC suppliers for 2017. Two China-based fabless companies made the top 10 ranking last year—HiSilicon, which sells most of its devices as internal transfers to smartphone supplier Huawei, and Unigroup, which includes the IC sales of both Spreadtrum and RDA. Fabless company IC sales are estimated to have exceeded \$100 billion in 2017, the first time this milestone has been reached.

Chart 2 Forecast Monthly Installed Capacity Shares-by Wafer Size



Source: IC Insights

Source : IC Insight , 2018/01

As shown in Figure 1, 300mm wafers represented 63.6% of worldwide IC fab capacity at the end of 2016 and are projected to reach 71.2% by the end of 2021, which translates into a CAGR of 8.1% in terms of silicon area for processing by plant equipment in the five-year period.

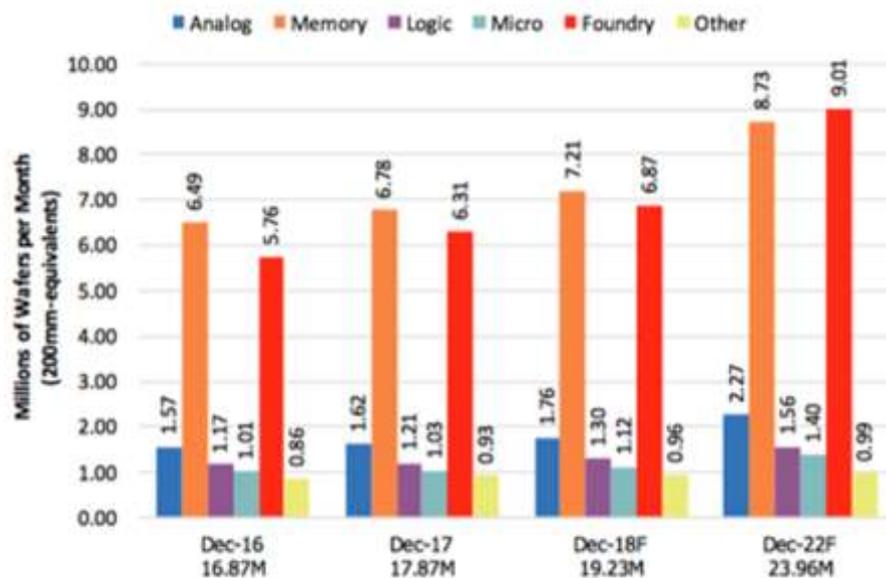
The report’s count of 98 production-class 300mm fabs in use worldwide at the end of 2016 excludes numerous R&D front-end lines and a few high-volume 300mm plants that make non-IC semiconductors (such as power transistors).

Currently, there are eight 300mm wafer fabs that have opened or are scheduled to open in 2017, which is the highest number in one year since 2014 when seven were added.

Another nine are scheduled to open in 2018. Virtually all these new fabs will be for DRAM, flash memory, or foundry capacity, according to the report.

Even though 300mm wafers are now the majority wafer size in use, both in terms of total surface area and in actual quantity of wafers, there is still much life remaining in 200mm fabs, the capacity report concludes. IC production capacity on 200mm wafers is expected to increase every year through 2021, growing at a CAGR of 1.1% in terms of total available silicon area.

Chart3 Forecast Monthly Installed Capacity-by Product Type



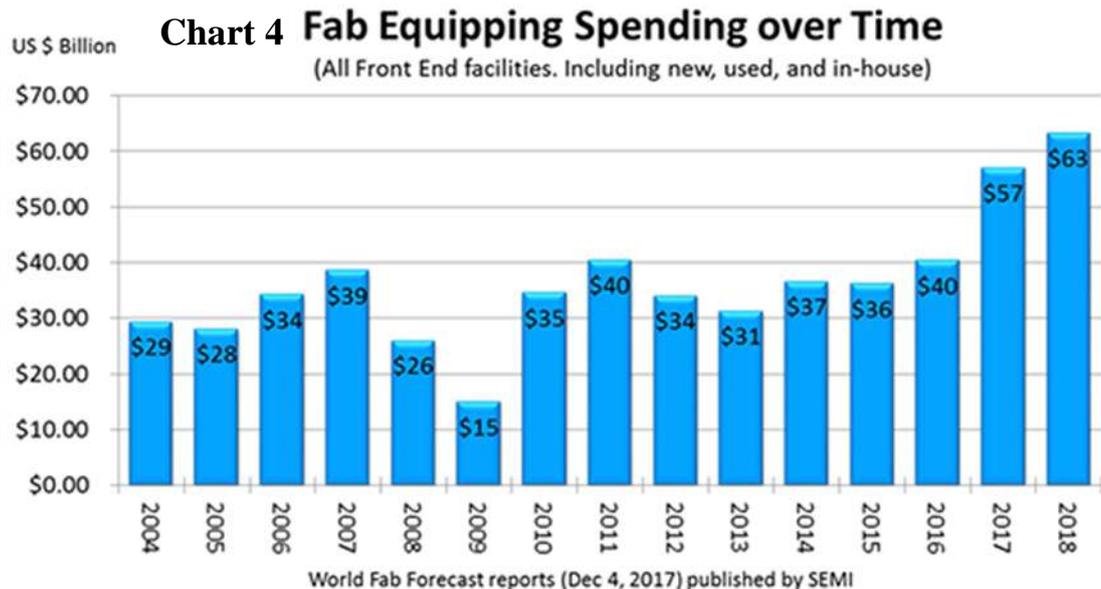
Source: IC Insights

However, the share of the IC industry’s monthly wafer capacity represented by 200mm wafers is forecast to drop from 28.4% in 2016 to 22.8% in 2021.

IC Insights believes there is still much life left in 200mm fabs because not all semiconductor devices are able to take advantage of the cost savings 300mm wafers can provide. Fabs running 200mm wafers will continue to be profitable for many more years for the fabrication of numerous types of ICs, such as specialty memories, display drivers, microcontrollers, and RF and analog products.

In addition, 200mm fabs are also used for manufacturing MEMS-based “non-IC” products such as accelerometers, pressure sensors, and actuators, including acoustic-wave RF filtering devices and micro-mirror chips for digital projectors and displays, as well as power discrete semiconductors and some high-brightness LEDs.

The year-end update to the SEMI World Fab Forecast report reveals 2017 spending on fab equipment investments will reach an all-time high of \$57 billion. High chip demand, strong pricing for memory, and fierce competition are driving the high-level of fab investments, with many companies investing at previously unseen levels for new fab construction and fab equipment.

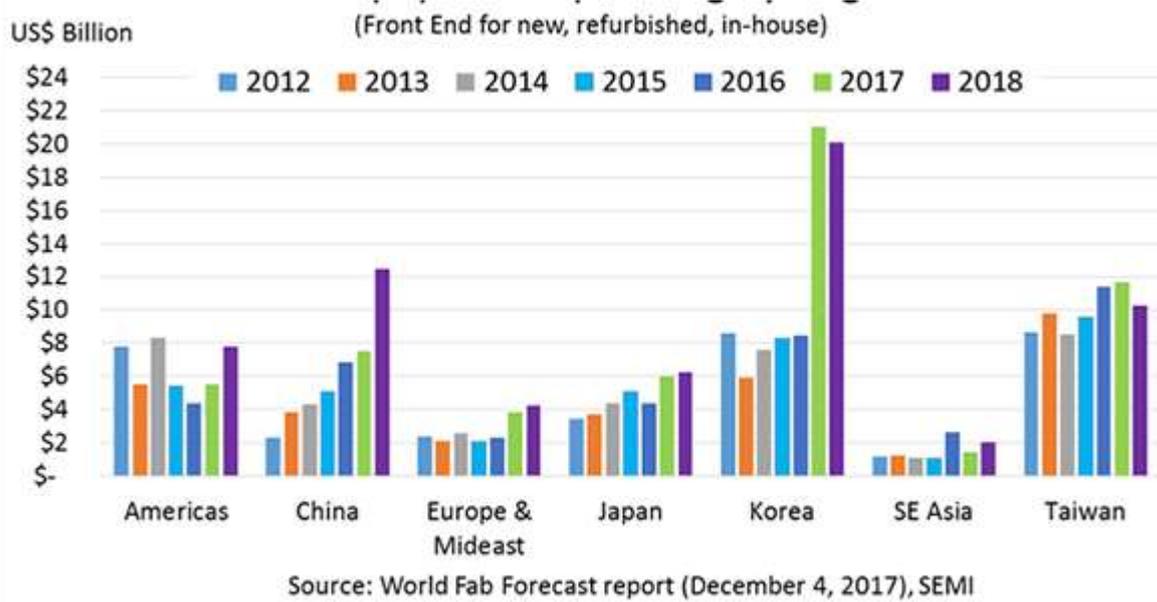


The SEMI World Fab Forecast data shows fab equipment spending in 2017 totaling US\$57 billion, an increase of 41 percent year-over-year (YoY). In 2018, spending is expected to increase 11 percent to US\$63 billion.

While many companies, including Intel, Micron, Toshiba (and Western Digital), and GLOBALFOUNDRIES increased fab investments for 2017 and 2018, the strong increase reflects spending by just two companies and primarily one region.

SEMI data shows a surge of investments in Korea, due primarily to Samsung, which is expected to increase its fab equipment spending by 128 percent in 2017, from US\$8 billion to US\$18 billion. SK Hynix also increased fab equipment spending, by about 70 percent, to US\$5.5 billion, the largest spending level in its history. While the majority of Samsung and SK Hynix spending remains in Korea, some will take place in China and the United States. Both Samsung and SK Hynix are expected to maintain high levels of investments in 2018.

Chart 5 Fab Equipment Spending by Region



In 2018, China is expected to begin equipping many fabs constructed in 2017. In the past, non-Chinese companies accounted for most fab investments in China. For the first time, in 2018 Chinese-owned device manufacturers will approach parity, spending nearly as much on fab equipment as their non-Chinese counterparts. In 2018, Chinese-owned companies are expected to invest about US\$5.8 billion, while non-Chinese will invest US\$6.7 billion. Many new companies such as Yangtze Memory Technology, Fujian Jin Hua, Hua Li, and Hefei Chang Xin Memory are investing heavily in the region.

Historic highs in equipment spending in 2017 and 2018 reflect growing demand for advanced devices. This spending follows unprecedented growth in construction spending for new fabs also detailed in the SEMI World Fab Forecast report. Construction spending will reach all-time highs with China construction spending taking the lead at US\$6 billion in 2017 and US\$6.6 billion in 2018, establishing another record: no region has ever spent more than US\$6 billion in a single year for construction.

Table 4 Annual Silicon Industry Trends

Annual Silicon* Industry Trends

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Area Shipments (MSI)	8,661	8,137	6,707	9,370	9,043	9,031	9,067	10,098	10,434	10,738	11,810
Revenues (\$B)	12.1	11.4	6.7	9.7	9.9	8.7	7.5	7.6	7.2	7.2	8.7

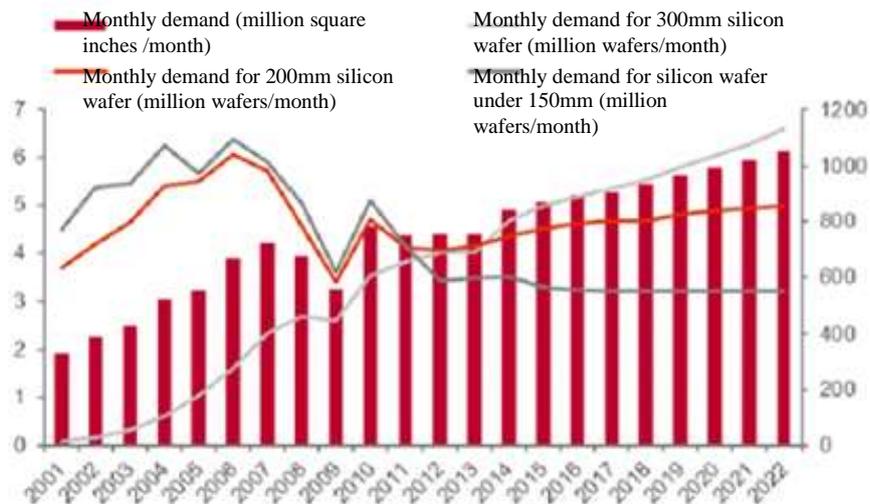
*Total Electronic Grade Silicon Slices Excluding Non-Polished Wafers. Shipments are for semiconductor applications only and do not include solar applications.

Source: SEMI (www.semi.org), February 2018

According to SEMI Silicon Manufacturers Group (SMG), silicon wafer area shipments in 2017 totaled 11,810 million square inches (MSI), up from the previous market high of 10,738MSI shipped during 2016. Revenues totaled USD8.71B, 21% higher from the USD7.21B posted in 2016. (Electronics Weekly, Laoyaoba, SEMI, press)

“Annual semiconductor silicon volume shipments reached record levels for the fourth year in a row,” said Neil Weaver, chairman of SEMI SMG, and Director, Product Development and Applications Engineering, at Shin-Etsu Handotai America. “Annual silicon revenue also increased last year but remains well below the market high set 10 years ago

Chart 6 Global Silicon Wafer Demand



Source : SEMI · 2018/01

SUMCO is a Japanese based company and is responsible for over 60 percent of the world’s silicon wafer supply. With a 20 percent price increase, CPU, GPU, DRAM and Flash makers may have taken their business elsewhere, but it looks like they won’t necessarily have that opportunity. This week, GlobalWafers Chairwoman, Doris Hsu, informed shareholders that the company would raise prices for silicon wafers by 20 percent this year

Apparently, the biggest reason for this price increase is a shortage in 12-inch, 300mm wafers, which are traditionally used to build processors, graphics chips and RAM. Given that GPU prices have already risen to ridiculous heights due to crypto-mining, this is an additional blow to DIY PC builders.

Last year when SUMCO revealed its own price hikes, the company estimated that global wafer demands will rise to 6.6 million per month by 2020. Hopefully by then, we’ll see production increase but for the time being, it looks like we will be stuck with price hikes as demand outstrips supply.

Table 5 Silicon Wafer Price Increase Status

Silicon Wafer Type	Average Contract Price (USD)			
	16Q4	17Q1	17Q2	17Q3
12-inch polished wafer	50~60	55~65	65~70	80~85
12-inch epitaxial wafer	80	85~90	90~95	100~110
Advanced 12-inch wafer of $\leq 20\text{nm}$	120	130	140	150

Source : SEMI · 2018/01

Annual semiconductor unit shipments (integrated circuits and opto-sensor-discretes, or O-S-D, devices) are expected to grow 9% in 2018 and top one trillion units for the first time, based on data presented in the new, 2018 edition of IC Insights' McClean Report—A Complete Analysis and Forecast of the Integrated Circuit Industry (Figure 1). For 2018, semiconductor unit shipments are forecast to climb to 1,075.1 billion, which equates to 9% growth for the year. Starting in 1978 with 32.6 billion units and going through 2018, the compound annual growth rate for semiconductor units is forecast to be 9.1%, a solid growth figure over the 40 year span.

Chart 7 Tracking Semiconductor Unit Growth



Source: IC Insights

Semiconductor units forecast to increase 9% with IC units rising 11%, O-S-D units growing 8%.

The analog chip segment, buoyed by expansion in power management and automotive, is expected to be the fastest growing segment of the broader semiconductor market over the next five years, according to market research firm IC Insights.

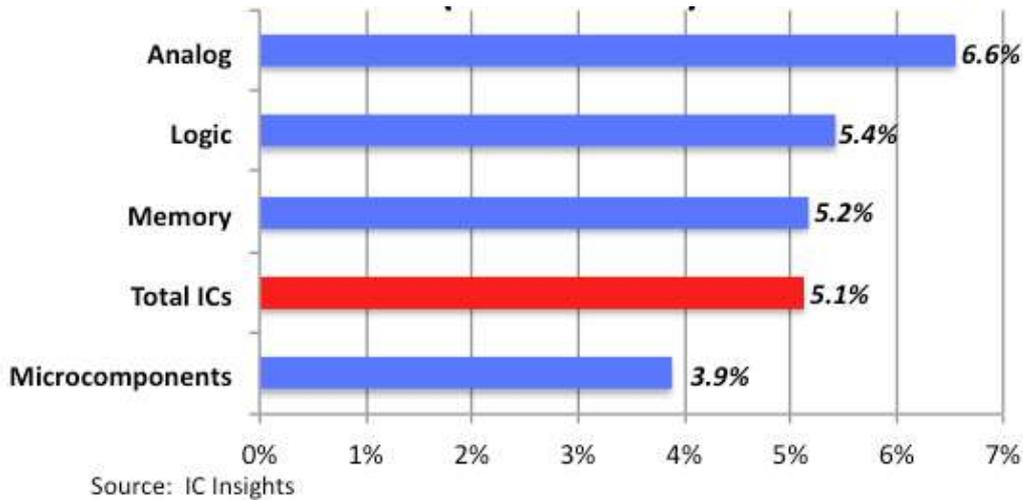
Sales of analog chips — including both general purpose and application-specific devices — are forecast to increase at a compound annual growth rate (CAGR) of 6.6 percent from 2017 to 2022, rising to \$74.8 billion from \$54.5 billion, according to the 2018 edition of IC Insights' annual McClean Report.

The broader IC market is projected to grow at a 5.1 percent CAGR over the same period, according to the report.

IC Insights is projecting that IC sales will grow by some 8 percent this year after growing by 22 percent in 2017. The firm expects total chip sales to reach \$393.9 billion in 2018, growing to \$466.8 billion in 2022.

Strong sales of power management ICs, application-specific analog chips and signal converter components are expected to be the main drivers of analog growth over the next five years, IC Insights said.

Chart 8 Market CAGRs of Major Product Categories (2017-2020F)

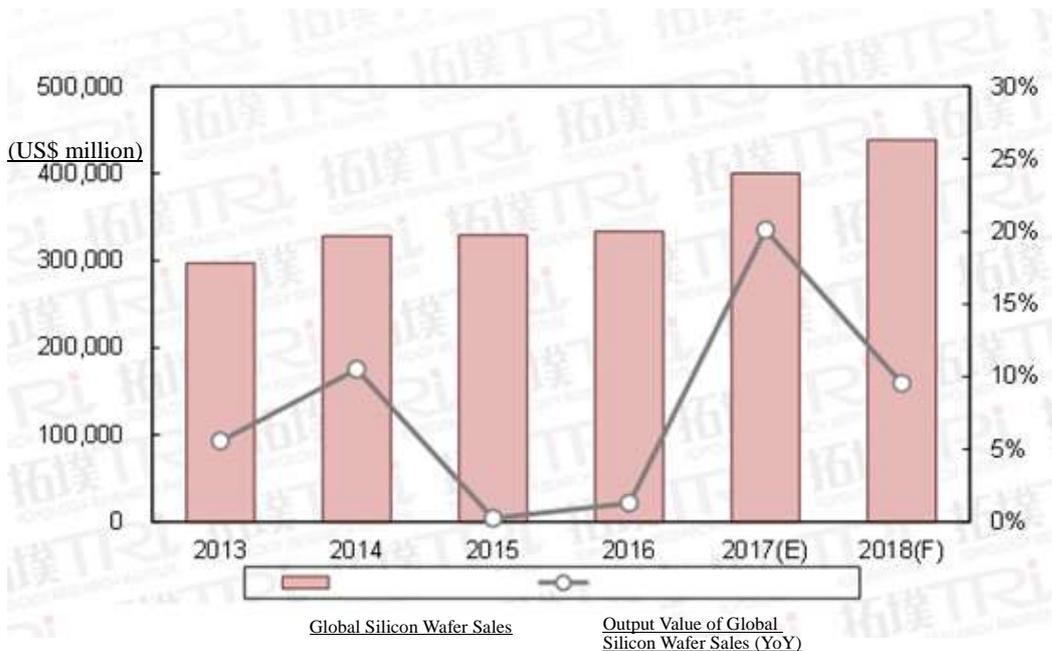


Thanks largely to the growth of autonomous and electric vehicles, the McClean report predicts that the market for automotive analog chips will increase by 15 percent this year, making it the fastest growing analog IC category and the third-fastest growing of 33 IC product categories classified by the World Semiconductor Trade Statistics organization.

Meanwhile, the market for power management ICs is forecast to grow by 8 percent in 2018 after expanding by 12 percent last year, IC Insights said. Signal conversion components — used mainly in communications and consumer applications — are forecast to continue growing rapidly, with sales increasing by double-digit percentages in the three of the next five years, IC Insights said.

Like other market watchers, IC Insights expects that increased capacity coming on line will cause the memory chip market to cool after expanding by 58 percent last year. The memory segment is forecast to grow at a 5.2 percent CAGR through 2022

Chart 9 2013-2018 Semiconductor Wafer Sales Forecasts



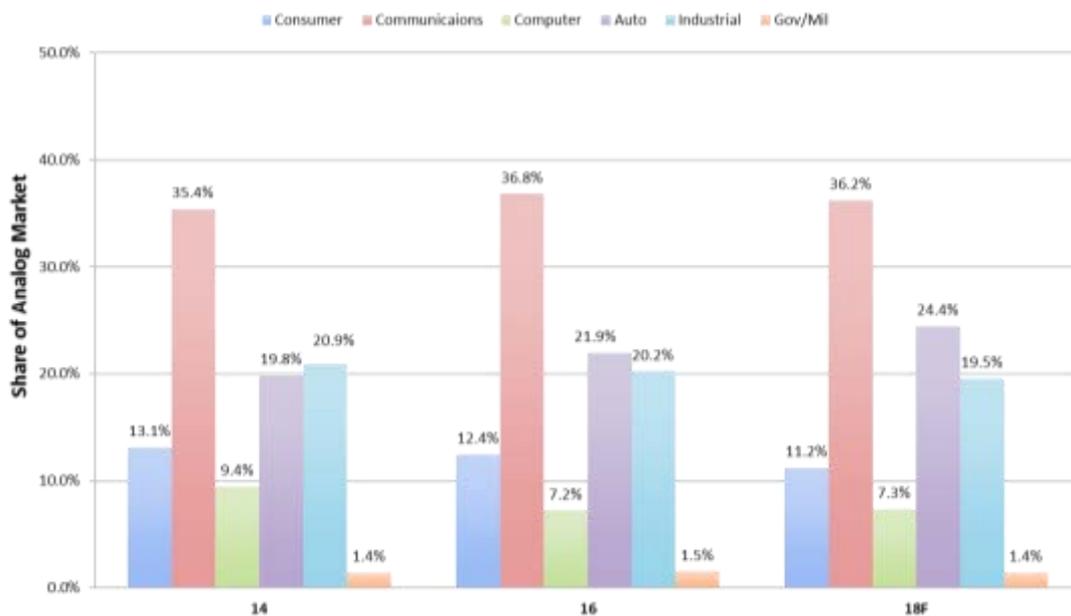
Remark: The data excludes the purchase amount of orders placed directly by system vendors to foundries.

Source: Topology Research Institute (TRI), 2017/12

With the help of memory products in 2017, the annual growth rate of global wafer sales of 2017 is expected to be 20.7%, which would rise above US\$400 billion. In 2018, as the application of artificial intelligence, such as Deep Learning, become more and more mature in various fields, it is expected to promote the diversification of semiconductor sales activity and the growth rate will reach 9.5%.

Analog signals can be thought of as those that represent elements and conditions experienced in the "real" world. These include factors such as light, sound, temperature, and pressure. Analog signals are a continuous representation of phenomena in terms of points along a scale. Hype and hoopla surrounding advances in the world of digital ICs often overshadows developments in the analog IC business, but as noted in this section, the analog market continues to play a steady role in the IC industry. Important market, unit shipment, and pricing data for the overall analog market and for individual segments within this market (e.g., amplifiers, interface, comparators, etc.) are provided.

Chart 10 Analog IC Sales by Application (\$)



Source : IC Insights , 2018/01

Table 6 Trade-offs of Stacked Die, PoP, and System-on-Chip

	Stacked Die	PoP	SoC
Design	Good	Very Good	Poor
Logistics	Poor	Very Good	Very Good
Package Assembly	Poor	Good	Very Good
Board Assembly	Very Good	Good	Very Good
Qualification (Burn-in)	Poor	Very Good	Unknown
Application	Memory	Large Dedicated Memory	Long Time to Market

Source : IC Insights , 2018/01

The assembly and packaging of ICs no longer takes a back seat to front-end processing. For most new IC products, packaging is an integral part of the chip design and production process; it is no longer just a simple, final step in the chip supply chain. As a result, accelerating demand for smaller, faster, yet less expensive products is pressing the packaging industry to keep pace with advancements in IC process technology.

This section provides an IC unit shipment forecast by package type (e.g., SO, FP/CC, BGA, wafer-level, bare die, etc.) and data showing how packages have evolved from simple cookie-cutter type packages to highly sophisticated and customized solutions. Details are provided on the ball-grid array, chip-scale package (CSP), bare die or direct-chip attach (DCA), wafer-level packaging, and multichip package (MCP) technologies, including stacked-chip packages.

The ten largest semiconductor R&D spenders increased their collective expenditures to \$35.9 billion in 2017, an increase of 6% compared to \$34.0 billion in 2016. Intel continued to far exceed all other semiconductor companies with R&D spending that reached \$13.1 billion. In addition to representing 21.2% of its semiconductor sales last year, Intel's R&D spending accounted for 36% of the top 10 R&D spending and about 22% of total worldwide semiconductor R&D expenditures of \$58.9 billion in 2017, according to the 2018 edition of The McClean Report that was released in January 2018. Figure 1 shows IC Insights' ranking of the top semiconductor R&D spenders, including both semiconductor manufacturers and fabless suppliers.

**Table 7 Top 10 Semiconductor R&D Spenders
(Companies with \geq \$1B in Spending)**

2017 Rank	Company	R&D Exp (\$M)	R&D/Sales (%)	17/16 % Chg in R&D
1	Intel	13,098	21.2%	3%
2	Qualcomm	3,450	20.2%	-4%
3	Broadcom*	3,423	19.2%	4%
4	Samsung	3,415	5.2%	19%
5	Toshiba	2,670	20.0%	-7%
6	TSMC	2,656	8.3%	20%
7	MediaTek*	1,881	24.0%	9%
8	Micron	1,802	7.5%	8%
9	Nvidia	1,797	19.1%	23%
10	SK Hynix	1,729	6.5%	14%
Top 10 Total		35,921	13.0%	6%

Source: Company reports, IC Insights' *Strategic Reviews* database

*Sales and R&D spending of acquired semiconductor supplier are included.

Intel's R&D expenditures increased just 3% in 2017, below its 8% average annual growth rate since 2001, according to the new report. Still, Intel's R&D spending exceeded the combined R&D spending of the next four companies—Qualcomm, Broadcom, Samsung, and Toshiba—listed in the ranking.

Underscoring the growing cost of developing new IC technologies, Intel's R&D-to-sales ratio has climbed significantly over the past 20 years. In 2017, Intel's R&D spending as a percent of sales was 21.2%, down from an all-time high of 24.0% in 2015. In 2010, the ratio was 16.4%, 14.5% in 2005, 16.0% in 2000, and just 9.3% in 1995.

Qualcomm—the industry's largest fabless IC supplier—was again ranked as second-largest R&D spender, a position it first achieved in 2012. Qualcomm's semiconductor-related R&D spending was down 4% in 2017, after a 7% drop in 2016, and it was close to being passed up by third place Broadcom and fourth placed Samsung, whose R&D spending increased 4% and 19%, respectively.

Despite increasing its R&D expenditures by 19% in 2017, Samsung had the lowest investment-intensity level among the top-10 R&D spenders with research and development funding at 5.2% of sales last year. Samsung's 49% increase in semiconductor revenue in 2017 (driven by strong growth in DRAM and NAND flash memory) lowered its R&D as a percent of sales ratio from 6.5% in 2016. Micron Technology's revenues surged 77% in 2017, but its research and development expenditures grew 8%, resulting in an R&D/sales ratio of 7.5% compared to 12.5% in 2016. Similarly, SK Hynix's sales climbed 79% in 2017, while its research and development spending increased 14% in the year, which resulted in an R&D/sales ratio of 6.5% versus 10.2% in 2016.

Fifth-ranked Toshiba and sixth-ranked Taiwan Semiconductor Manufacturing Co. (TSMC) each allocated about the same amount for R&D spending in 2017. Toshiba's R&D spending was down 7% while TSMC had one of the largest increases in R&D spending among the top 10 companies shown in the figure. TSMC's R&D expenditures grew by 20% as the foundry raced rivals Samsung and GlobalFoundries in launching new process technologies, while its sales rose 9% to \$32.2 billion in the year.

Rounding out the top-10 list were MediaTek, Micron, Nvidia, which moved from 11th place in 2016 to 9th position to displace NXP in the 2017 ranking, and SK Hynix. Collectively, the top-10 R&D spenders increased their outlays by 6% in 2017, two points more than the 4% R&D increase for the entire semiconductor industry. Combined R&D spending by the top 10 exceeded total spending by the rest of the semiconductor companies (\$35.9 billion versus \$23.0 billion) in 2017.

A total of 18 semiconductor suppliers allocated more than more than \$1.0 billion for R&D spending 2017. The other eight manufacturers were NXP, TI ST, AMD, Renesas, Sony, Analog Devices, and GlobalFoundries.

According to SEMI's 2017 development status of global semiconductor market, 2017 was a record-setting year for semiconductor industry, which had a growth of 20% compared with the previous year. It is expected that the global semiconductor market will set a new high in 2018 and the overall market will challenge US\$500 billion level until 2019.

Chart 11 Worldwide Semiconductor Revenue in 2017

Semiconductor Cycles- Revenues to surpass \$400 billion for the first time



Source: IC Insights McClean Report, October 2017 Update

Source: IC Insights, 2017/10

In 2017, the overall semiconductor market set a record of US\$400 billion with an annual increase of 20% due to the excess demand in memory market: DRAM dramatically grew 75%, NAND Flash grew 45%, and other ICs grew 9%.

Memory Market

Strong Growth in Memory

- Rising ASPs in 2017
- Byte demand growth through 2021
 - 30% DRAM
 - 45% NAND Flash

Growth Drivers

- IoT
 - Complex Nodes
 - Centralize Processing (Datacenters)
- Large-Scale Computing (Hyperscale)
 - SSD & Flash Arrays
 - AI & Deep Learning Systems
- Automotive
 - Autonomous Vehicles
 - Conventional Features (Engine control, navigation)
- Consumer, Communication, ...

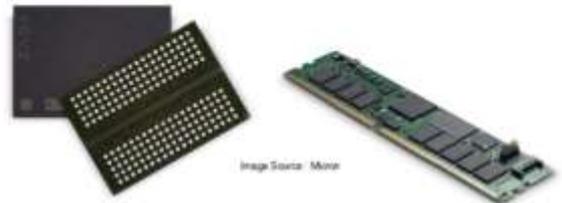


Image Source: Micron



Image Source: Toshiba

Source: Objective Analysis (www.objective-analysis.com)



Divided by product applications, the growth of the semiconductor market is expected to continue all the way to 2025 with the help of the IoT, 5G, automotive electronics, AR/VR, and artificial intelligence. Furthermore, in the development of memory market, it is predicted that the demand of DRAM will rise 30% and 45% for NAND Flash in 2018. On the other hand, due to the significant growth of DRAM's production capacity in 2018, the new production capacity is estimated a growth of 10%.

Chart 12 Fab Capital Spending

Key Fab Projects – driven by NAND, DRAM and Foundry

NAND

- Samsung Pyeongtaek P1
- SK Hynix M14 3D NAND line
- Micron Building 60 (Lehi) and Fab 10X in Singapore
- Toshiba/Flash Alliance Fab 2, Fab 6 and new R&D Center
- Intel Fab 68 in China

DRAM

- Samsung Pyeongtaek P1 and Line 15
- Micron Fab 15 (Hiroshima) and Fab 16
- SK Hynix M14

Foundry

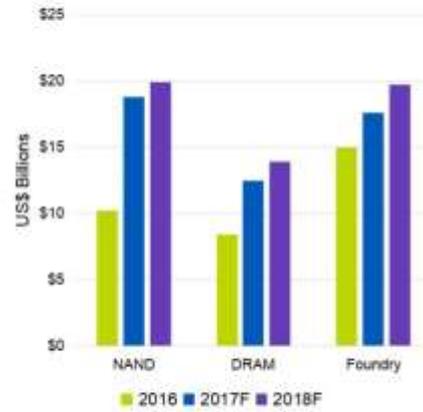
- TSMC Fab 12, Fab 14 and Fab 15
- Samsung S2 and S3
- GLOBALFOUNDRIES Fab 1, Fab 8 and Fab 11
- SMIC Beijing B2 and B3, new Shanghai 300mm fab and Shenzhen 300mm fab.
- UMC Fab 12A P5 and Xiamen fab.

Source: SEMI World Fab Forecast, December 2017



Source : SEMI , 2017/12

Fab Equipment Spending

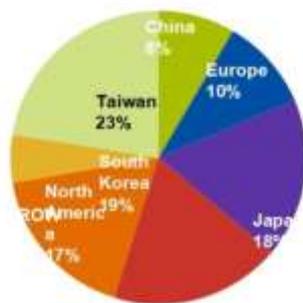


As for fab investment, IC foundry, 3D NAND Flash, and DRAM are the three major spending momentums. The semiconductor equipment spending in 2018 is forecasted to grow 7%, reaching US\$60 billion. South Korea will hold its position as the largest equipment spending market, and China will keep being the highest growth-rate market.

Table 8 Semiconductor Fab Materials Markets in 2017

Semiconductor Fab Materials Markets-

~10% Revenue Growth in 2017; 4% Growth Forecasted for 2018



2016 = \$24.7 billion

Source: SEMI Materials Market Data Subscription, November 2017



Source : SEMI , 2017/11

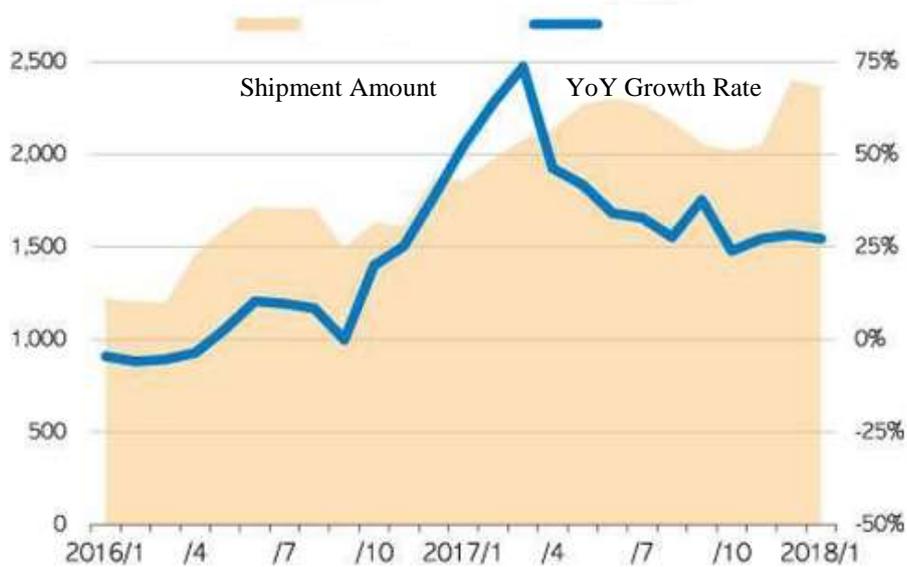
Region	2017F \$US B	2018F \$US B
China	\$2.59	\$2.86
Europe	2.75	2.85
Japan	4.50	4.58
South Korea	5.22	5.52
North America	4.65	4.77
SEA/ROW	1.44	1.52
Taiwan	6.32	6.57
Total	\$27.5	\$28.7

Totals may not add due to rounding

As for the semiconductor materials, the market had a 10% growth in 2017 than the previous year, and the estimated growth of 2018 will be a further 4%. Taiwan will still remain its position as the largest semiconductor materials buyer in the world.

According to the latest update from SEMI, the average shipment amount of semiconductor equipment manufacturers in North America reached a new high over the last decade in December 2017. Although the shipment amount dropped slightly in January 2018, the YoY still increased noticeably to US\$2.364 billion. As of January 2018, the average monthly shipment amount of semiconductor equipment manufacturers in that area had increased year-over-year for 16 months in succession. SEMI shows the semiconductor equipment spending forecast will keep growing for 3 consecutive years.

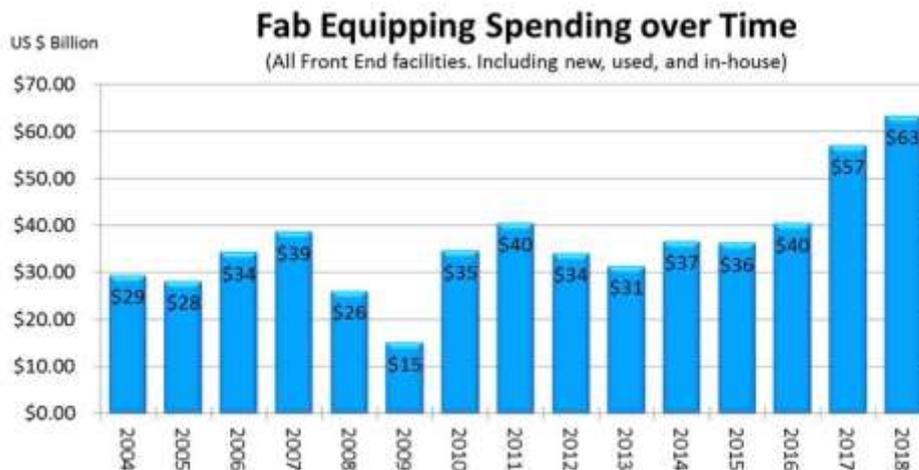
Chart 13 Average Monthly Shipment Amount of Semiconductor Equipment Manufacturers in North America from 2016 to January 2018



Remark: The figure of monthly average shipment amount is based on the calculation of the moving average shippe

Source: SEMI, 2018/02

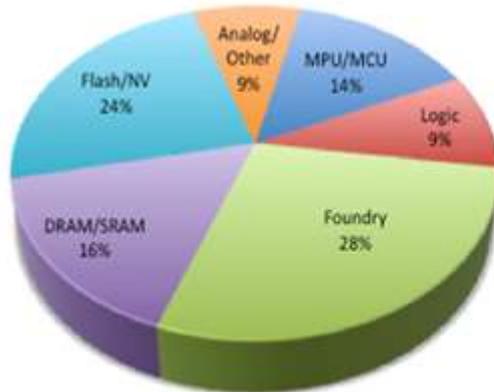
Chart 14 Worldwide Fab Equipment Spending Analysis and Forecast



Source : SEMI , 2018/01

The year-end update to the SEMI World Fab Forecast report reveals 2017 spending on fab equipment investments will reach an all-time high of \$57 billion. High chip demand, strong pricing for memory, and fierce competition are driving the high-level of fab investments, with many companies investing at previously unseen levels for new fab construction and fab equipment. See Table 9.

Table 9 2017 Semiconductor Capex by Product Type



Source: IC Insights

Product	2017F (\$B)	17/16 % Chg	% of Total
MPU/MCU	\$11.6	16%	14%
Logic	\$7.6	11%	9%
Foundry	\$22.8	4%	28%
DRAM/SRAM	\$13.0	53%	16%
Flash/NV	\$19.0	33%	24%
Analog/Other	\$6.9	21%	9%
Total	\$80.9	20%	

Semiconductor capital equipment spending is estimated at US\$80.9 billion in 2017.

Source: IC Insights , 2017/09

With a projected 53% increase in 2017, and DRAM prices surging since Q3 2016, the DRAM/SRAM segment is expected to display the largest percentage growth in capital expenditures of the major product types this year.

With DRAM prices surging since the third quarter of 2016, DRAM manufacturers are once again stepping up spending in this segment.

Although the majority of this spending is going towards technology advancement, DRAM producer SK Hynix recently admitted that it can no longer keep up with demand by technology advancements alone, but needs to begin adding wafer start capacity.

Even with a DRAM spending surge this year, capital spending for flash memory in 2017 (\$19.0 billion) is still expected to be significantly higher than spending allocated to the DRAM/SRAM category (\$13.0 billion).

Overall, IC Insights believes that essentially all of the spending for flash memory in 2017 will be dedicated to 3D NAND process technology, including production of 3D NAND at Samsung's giant new fab in Pyeongtaek, South Korea.

Capital spending for the flash memory segment is forecast to register a 33% surge in 2017 after a strong 23% increase in 2016. However, historical precedent in the memory market shows that too much spending usually leads to overcapacity and subsequent pricing weakness.

With Samsung, SK Hynix, Micron, Intel, Toshiba/Western Digital/SanDisk, and XMC/Yangtze River Storage Technology all planning to significantly ramp up 3D NAND flash capacity over the next couple of years (and new Chinese producers possibly entering the market), IC Insights believes that the future risk for overshooting 3D NAND flash market demand is high and growing.

Chart 15 Analog of Worldwide Semiconductor Capital Equipment Revenue



Source : IC Insights , 2018/01

The surge of Samsung and SK Hynix’s capital spending is driving the semiconductor equipment market in South Korea. This year is estimated to grow 69%, reaching US\$13 billion, and the market will continue to expand at a rate of 3% to US\$13.4 billion in 2018.

Taiwan’s semiconductor equipment market will grow 4% to be US\$12.7 billion compared with the previous year. The major momentum is the upgrade of TSMC for their advanced manufacturing process capacity and the expansion for the advanced packaging capacity.

From 2017 to 2020, there are 62 wafer fab are under construction in the world and 26 (42%) of them are located in China. 6 fab were completed in 2017 and there will be another 13 fab completed in 2018.

SEMI data shows a surge of investments in Korea, due primarily to Samsung, which is expected to increase its fab equipment spending by 128 percent in 2017, from \$8 billion to \$18 billion. SK Hynix also increased fab equipment spending, by about 70 percent, to \$5.5 billion, the largest spending level in its history. While the majority of Samsung and SK Hynix spending remains in Korea, some will take place in China and the United States. Both Samsung and SK Hynix are expected to maintain high levels of investments in 2018.

In 2018, China is expected to begin equipping many fabs constructed in 2017. In the past, non-Chinese companies accounted for most fab investments in China. For the first time, in 2018 Chinese-owned device manufacturers will approach parity, spending nearly as much on fab equipment as their non-Chinese counterparts. In 2018, Chinese-owned companies are expected to invest about \$5.8 billion, while non-Chinese will invest \$6.7 billion. Many new companies such as Yangtze Memory Technology, Fujian Jin Hua, Hua Li and Hefei Chang Xin Memory are investing in the region.

Construction spending will reach all-time highs with China construction spending taking the lead at \$6 billion in 2017 and \$6.6 billion in 2018, establishing another record: no region has ever spent more than \$6 billion in a single year for construction.

Chart 16 Analog of Worldwide Semiconductor Capital Equipment Revenue

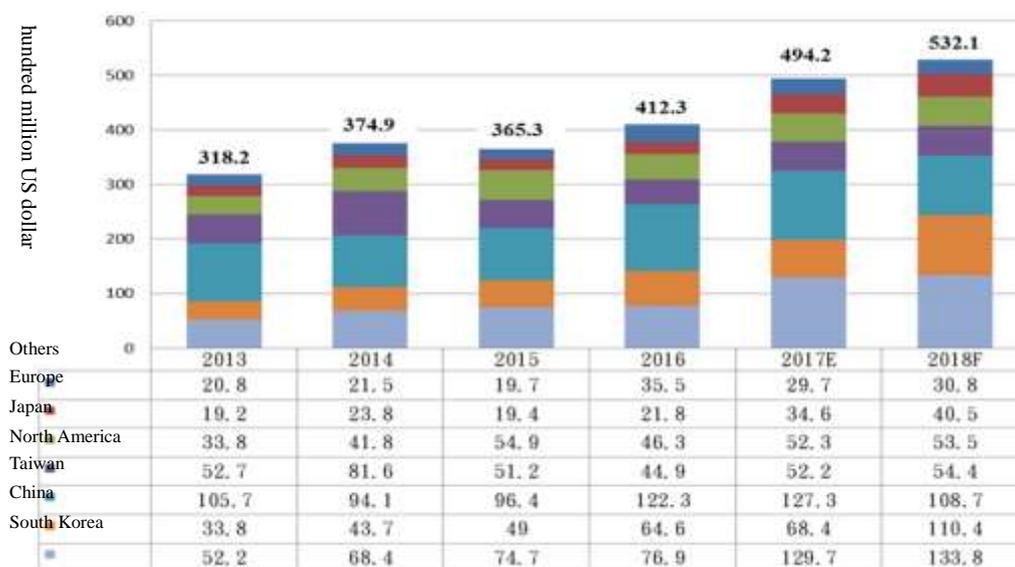


Table 10 Top 10 Fab Equipment Buyers

	2013	2017E	2018F
1	TSMC (C)	Samsung (C)	Samsung (C)
2	Samsung (C)	TSMC (C)	Intel (C)
3	Intel	Intel (C)	TSMC (C)
4	SK Hynix (C)	Micron	Micron
5	GlobalFoundries	SK Hynix (C)	Flash Alliance
6	Micron	Flash Alliance	SK Hynix (C)
7	Flash Alliance	UMC (C)	GlobalFoundries (C)
8	UMC (C)	GlobalFoundries	UMC (C)
9	SMIC (C)	Nanya Technologies	SMIC (C)
10	Sony	SMIC (C)	Yangtze Memory Technology (C)
Total	\$31.0 B	\$43.5 B	46.6 B
Wafer Equipment Market Share	87%	88%	86%
China's Wafer Equipment Spending	\$3.9 B	\$5.5 B	\$8.3 B

Source: Metal Industries Research & Development Centre

In the year-end forecast report release by SEMI, the sales of global semiconductor equipment in 2017 would grow 35.6%, reaching US\$55.9 billion. This would be the first time that the global semiconductor equipment market had surpassed the historical record of US\$47.7 billion set in 2000. The sales of global semiconductor equipment market will be expected to continue to grow 7.5% in 2018 to US\$60.1 billion, which will set another new high.

SEMI's year-end forecast report showed that the "wafer processing equipment" in 2017 is expected to grow 37.5% to US\$45 billion. "Other front-end equipment," including fab equipment, wafer manufacturing and photomask/reticle equipment, is estimated a growth at 45.8% to reach US\$2.6 billion. In 2017, "Packaging Equipment" is predicted to grow 25.8% (US\$3.8 billion). "Semiconductor Testing Equipment" will grow 22% this year, reaching US\$4.5 billion.

In 2017, South Korea will become the world's largest equipment market for the first time. Taiwan, who won the leading position for the past 5 years, will drop to the second place this year, and China in the third. All the regions covered by this report present the growth trends except the "Others" (mainly Southeast Asia). The growth rate of South Korea' will be significantly ahead (132.6%), followed by Europe (57.2%) and Japan (29.9%).

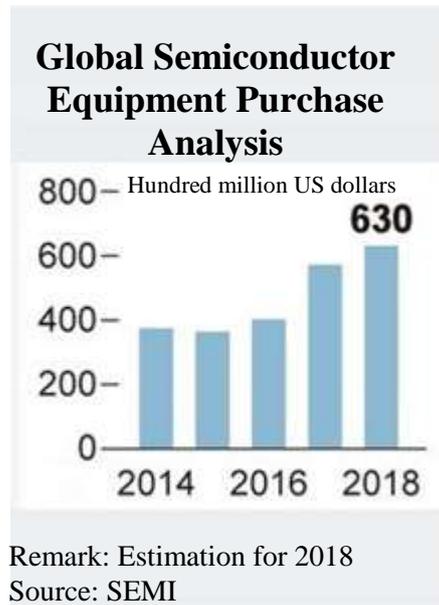
SEMI forecasts that China will be the one with a dramatic growth of semiconductor equipment sales (49.3%) in 2018, reaching US\$ 11.3 billion, a skyrocket after the 17.5% of 2017. South Korea, China and Taiwan are expected to be the top 3 markets in 2018. South Korea will continue to stay in the first place in succession to reach US\$16.9 billion. China will leap to the second largest market with a US\$11.3 billion and Taiwan will have nearly US\$11.3 billion.

Chart 17 Global Semiconductor Equipment Sales Forecast (US\$ billions)



Source : SEMI , 2017/12

Chart 18 Global Semiconductor Equipment Purchase



Source : SEMI , 2018/01

SEMI's statistic shows the global semiconductor output value of 2017 surpass US\$400 billion for the first time, the YoY growth rate of 20%. The output value and growth rate both set historical records. The equipment and materials manufacturers also share the glory. SEMI is optimistic that the growth can last till 2019, as well as positive to the semiconductor industry.

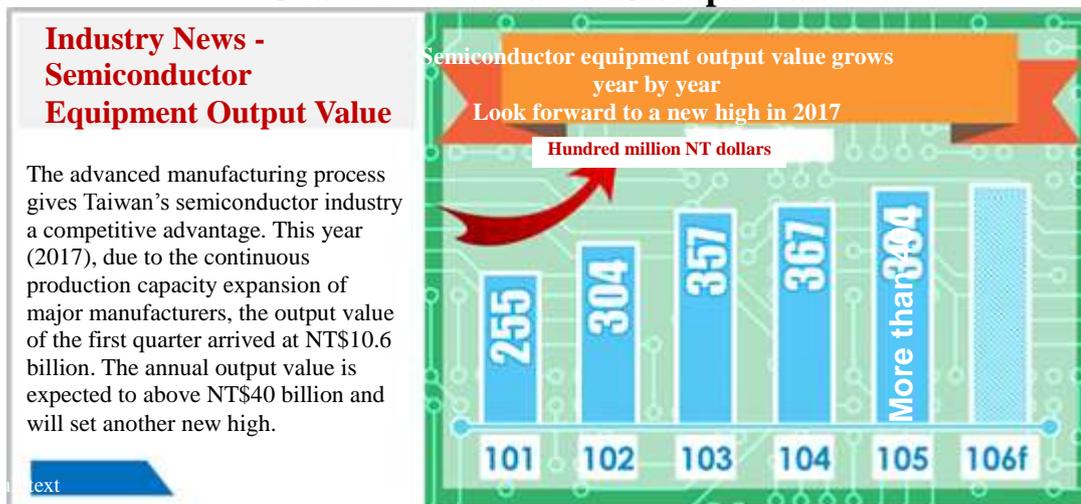
SEMI predicts that the YoY growth rate of semiconductor industry will be approximately 5-8% this year which may set another new high and will keep growing next year to US\$500 billion for the first time.

SEMI predicts that the fab construction related spending will reach US\$13 billion this year. Once a new fab is completed, the following equipment spending will be remarkable in 2019 and 2020. The front-end equipment purchase amount of this year will increase from \$56 billion of last year to \$63 billion.

The price of silicon wafers is raised by the materials cost as well. The average cost of last year had a 17% increase, mainly driven by 12-inch silicon wafers. SEMI says that, even if the price of silicon wafers double, it is in the same level of 2011.

②Current situation and development of IC industries in Taiwan and China

Chart 19 Taiwan's IC output value



Source: Department of Statistics, MOEA, 2018/01

In 2017, the output value of semiconductor equipment is expected to exceed NT\$40 billion: With the rapid development of the semiconductor industry in Taiwan, the momentum of related production equipment will also increase. The output value of semiconductor equipment has been growing for 5 years in succession since 2012 and reached NT\$39.4 billion in 2016. The industry has continued to increase production capacity since 2017. The output value of semiconductor equipment was NT\$10.6 billion in the first quarter, a YoY increase of 29%. The output value of semiconductor equipment is estimated above NT\$40 billion this year and will set another new high.

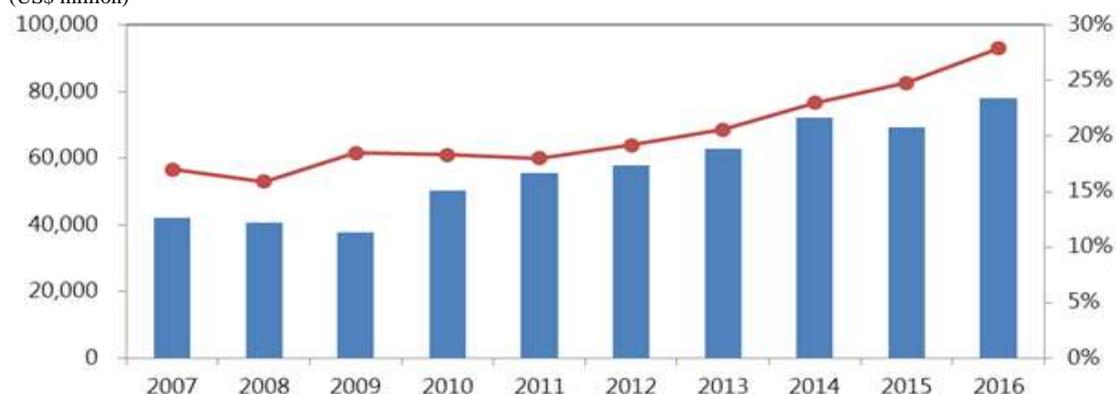
China is the largest export market for Taiwan's semiconductor equipment. The domestic semiconductor equipment contains manufacturing and testing equipment, and the output value proportion is about 6:4. 70% of the manufacturing equipment and 53% of testing equipment are mainly for domestic market. In recent years, equipment manufacturers have actively invested in R&D. Not only earn the recognition of leading domestic buyers, but also gain overseas markets. According to the Customs import and export trade statistics, Taiwan's semiconductor equipment export value (excluding re-exports) was US\$600 million, an annual increase of 17%, in 2016. The export to China is the largest which takes 56% (US\$400 million), followed by to the United States (9%), Singapore (8%), and Japan (6%).

Japan and the United States are the main sources for Taiwan's semiconductor equipment. Most of the semiconductor equipment in Taiwan rely on imports. Only a small portion is from domestic supply. According to SEMI's statistics, the global semiconductor manufacturing equipment sales amount was US\$41.2 billion in 2016. Taiwan was the largest market for importing equipment. In accordance with Taiwan Customs import and export trade statistics, the semiconductor equipment import value of 2016 was US\$16.7 billion (re-imports excluded), YoY increase of 29%. Japan was the biggest supplier for Taiwan with an import amount of US\$4.7 billion (28%), and US was the second, US\$4.4 billion (26%), followed by Netherlands with US\$2.8 billion (17%), and Singapore with US\$2 billion (12%).

In 2007, Taiwan's semiconductor export amount (including re-exports) was only US\$42.04 billion and grew to US\$78.17 billion in 2016. Semiconductor has always been the most important exported goods for Taiwan during this decade.

Chart 20 Taiwan Semiconductor Exports from 2007 to 2016

(US\$ million)



Remark: Single type of goods (CCC Code: 8542) is selected for this analysis

Source: Taiwan Customs Trade Statistics, data managed by Topology Research Institute, 2017/03

Table 11 Taiwan's IC Industry Output Value Analysis

hundred million NT\$	17Q1	QoQ	YoY	17Q2	QoQ	YoY	17Q3	QoQ	YoY	17Q4	QoQ	YoY	2017	YoY
IC Industry Output Value	5,714	-11.3%	5.0%	5,726	0.2%	-4.8%	6,428	12.3%	-2.5%	6,755	5.1%	4.9%	24,623	0.5%
IC Design	1,398	-12.5%	-3.7%	1,506	7.7%	-11.3%	1,659	10.2%	-7.0%	1,608	-3.1%	0.6%	6,171	-5.5%
IC Manufacturing	3,208	-11.0%	8.6%	3,060	-4.6%	-3.7%	3,524	15.2%	-1.8%	3,890	10.4%	7.9%	13,682	2.7%
Foundry	2,849	-9.2%	14.4%	2,678	-6.0%	-2.1%	3,104	15.9%	-0.6%	3,430	10.5%	9.3%	12,061	5.0%
Memory and others	359	-23.3%	-22.5%	382	6.4%	-13.4%	420	9.9%	-9.7%	460	9.5%	-1.7%	1,621	-11.8%
IC Packaging	770	-10.3%	5.5%	825	7.1%	3.1%	865	4.8%	1.8%	870	0.6%	1.4%	3,330	2.8%
IC Testing	338	-11.1%	10.8%	335	-0.9%	-1.5%	380	13.4%	1.3%	387	1.8%	1.8%	1,440	2.9%
IC Products Output Value	1,757	-15.0%	-8.3%	1,888	7.5%	-11.7%	2,079	10.1%	-7.6%	2,068	-0.5%	0.1%	7,792	-6.9%
Global Semiconductor	-	-	-	-	-	-	-	-	-	-	-	-	-	21.6%

Remark: (e) for estimation

Source: TSIA, ITRI / Industrial Economics and Knowledge Center, February 2018

ITRI Industrial Economics and Knowledge Center statistics that Taiwan's overall IC industry output value (including IC design, IC manufacturing, IC packaging, IC testing) is NT\$ 675.5 billion (US\$22.2B) in the 4rd quarter of 2017 (17Q4), a 5.1% increase compared with the previous quarter (17Q3) and YoY growth of 4.9% compared with the fourth quarter of 2016. The output value of the IC design is NT\$160.8 billion (USD\$5.3B), which decreased by 3.1% than the previous quarter (17Q3), but increased 0.6% compared with the 4th quarter of last year (16Q4). The IC manufacturing has NT\$389 billion (USD\$12.8B), a growth of 10.4% compared with the previous quarter (17Q3) and YoY increase of 7.9%, among which the foundry has NT\$343 billion (USD\$11.3B), a growth of 10.5% compared with the previous quarter (17Q3) and YoY increase of 9.3% compared with the 4th quarter of last year (16Q4), and Memory & other manufacturing are NT\$46 billion (USD\$1.5B), a growth of 9.5% compared with the previous quarter (17Q3), but YoY of -1.7%. The IC packaging has NT\$87 billion (USD\$2.9B), which is 0.6% higher than the previous quarter (17Q3) and 1.4% YoY growth. The IC testing has NT\$38.7 billion (USD\$1.3B), which is 1.8% higher than the previous quarter (17Q3) and YoY increase of 1.8%. The exchange rate of above figures is NT\$30.4 to one US dollar.

Table 12 Taiwan IC Industry Output Value Analysis from 2014 to 2017 and Forecast to 2018

hundred million NT\$	2014	2014 Growth Rate	2015	2015 Growth Rate	2016	2016 Growth Rate	2017	2017 Growth Rate	2018	2018 Growth Rate
IC Industry Output Value	22,033	16.7%	22,640	2.8%	24,493	8.2%	24,623	0.5%	26,050	5.3%
IC Design	5,768	19.8%	5,927	2.8%	6,581	10.2%	6,171	-5.5%	6,578	6.5%
IC Manufacturing	11,731	17.7%	12,300	4.9%	13,324	8.3%	13,682	2.7%	14,492	5.9%
Foundry	9,140	20.4%	10,093	20.4%	11,487	13.8%	12,061	5.0%	12,672	5.1%
Memory and others	2,591	9.2%	2,207	-14.3%	1,837	-16.8%	1,621	-11.8%	1,320	12.3%
IC Packaging	3,160	11.1%	3,099	-1.9%	3,238	45.0%	3,330	2.8%	3,480	4.5%
IC Testing	1,379	8.9%	1,314	-4.7%	1,400	65.0%	1,440	2.9%	1,500	4.2%
IC Products Output Value	8,354	16.3%	8,134	-2.6%	8,368	29.0%	7,792	-6.9%	8,398	7.3%
Global Semiconductor Growth Rate	-	9.9%	-	-0.2%	-	11.0%	-	21.6%	-	6.1%

Remark: (e) for estimation. Source: TSIA, ITRI /Industrial Economics and Knowledge Center, 2018/02

The statistic of ITRI Industrial Economics and Knowledge Center presents the output value of Taiwan's IC industry as NT\$2,462.3 billion (US\$81.0B), a 0.5% growth compared with the previous year: The IC Design has NT\$617.1 billion (USD\$20.3B), a 5.5% decrease than 2016. The IC manufacturing has NT\$1,368.2 billion (USD\$45.0B), a 2.7% increase compared with 2016, among which the foundry has NT\$1,206.1 billion (US\$39.7B), a 5.0% increase compared with 2016 and memory & other manufacturing have NT\$162.1 billion (US\$5.3B), a 11.8% decrease compared with 2016. The IC Packaging has NT\$333 billion (US\$11.0B), a 2.8 increase compared with 2016. The IC Testing has NT\$144 billion (US\$4.7B), a 2.9% increase compared with 2016. The exchange rate of above figures is NT\$30.4 to one US dollar.

Table13 The output value of Taiwan IC industry

Industry	2016	2017(e)	Annual Growth Rate
IC Design (27%)	6,531	6,184	-5.3%
IC Manufacturing (54%)	13,324	13,634	2.3%
IC Packaging (13%)	3,238	3,315	2.4%
IC Testing (6%)	1,400	1,431	2.2%
Total	24,493	24,564	0.3%

Source: ITRI Industrial Economics and Knowledge Center/ Metal Industries Research & Development Centre, data managed by Metal Industry Intelligence (MII)

The output value of Taiwan IC industry in 2017 is NT\$2,456.4 billion with an annual growth rate of 0.3% only due to the slow growth of worldwide smart phone sales.

In 2017, the output value of IC design is estimated at NT\$618.4 billion which will be dropped 5.3% compared with the previous year due to the late release of MediaTek's new baseband processor (for Cat 7) as well as their suspension of low-price strategy because of low gross profit.

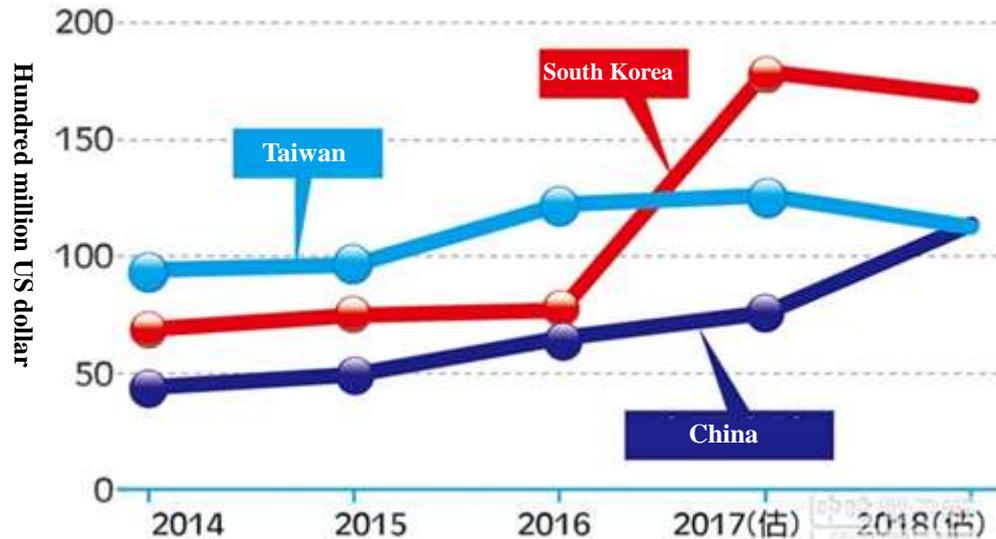
The IC manufacturing output value of 2017 is estimated at NT\$1,363.4 billion, an increase of 2.3% compared with 2016. The main foundries in the second half of the

year will have a noticeable growth driven by the launch of new products (such as iPhone 8).

The output value of IC packaging is estimated at NT\$474.6 billion, a slight increase of 2.2% than 2016. The packaging industry will be driven by the growth of terminal electronic consumer products under the consecutive worldwide prosperity.

Source: Metal Industries Research & Development Centre

Chart 21 Analysis of Taiwan, South Korea and China's Semiconductor Equipment Spending



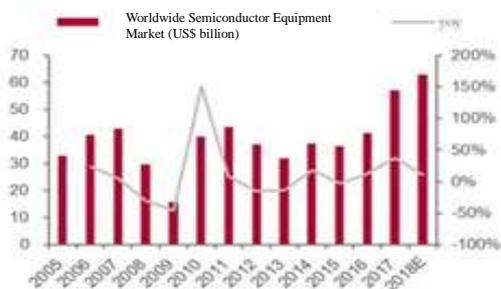
Source : SEMI , 2017/12

The 2017 year-end forecast released by SEMI predicts that the ranking of semiconductor equipment market will be reshuffled in 2018. The growth rate of China's semiconductor equipment sales will reach 49.3%, skyrocketed to US\$11.33 billion. This sharp increase following by the 17.5% of 2017 will make China to be the second largest market in the world. South Korea's market size will remain high at US\$16.88 billion next year and continue to top the market. Although Taiwan's market size is still above US\$11.25 billion, it will drop to the third place.

SEMI shows that, in 2017, Korea will become the world's largest equipment market for the first time. Taiwan, who won the leading position for the past 5 years, will drop to the second place this year. China will stay in the third for 2 consecutive years. All the regions covered by this report present the growth trends except the region of Southeast Asia and others. As the growth rate, South Korea will be far ahead with a 132.6%, followed by Europe (57.2%) and Japan (29.9%).

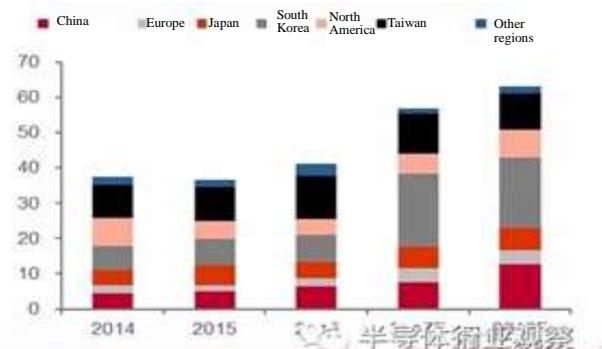
SEMI's "World Fab Forecast" shows the fab construction projects: In 2017 there are 62 under construction and 42 more in 2018. Many of them will be located in China which will drive a noticeable growth of equipment spending for the following 2 years.

Chart 22: The Rapid Increase of Worldwide Semiconductor Equipment Market



Source: SEMI, Zhongtai Securities Company Limited

Chart 23: China is expected to become the second largest equipment market in the world in 2018



Source: SEMI, Zhongtai Securities Company Limited

Source : SEMI , 2018/01

According to the latest report of TrendForce, China’s IC design industry revenue will reach RMB 200.6 billion in 2017, a yearly growth of 22%. The growth rate is expected to remain at around 20%, totaling RMB 240 billion in 2018, pointed out by Cici Zhang, analyst of TrendForce.

Chart 24 Overview of China’s IC Design Industry 2016~2018



Source: TrendForce, 2017/11

China’s IC design industry has made constant progress to develop more high-end products, for example, HiSilicon has already adopted 10nm technology in its high-end models of mobile phones. In addition, HiSilicon and Sanechips (ZTE Microelectronics) provide NB-IoT chip solutions. Cambricon Technologies and Horizon Robotics race to develop new AI-specific chips. Unigroup Spreadtrum RDA, Datang, and HiSilicon have released products for 5G network. As for the overall revenue performance of the industry, many companies record a double-digit revenue growth.

Table 14 2017 Renking of China's IC Design Companies by Revenue

Ranking	Companies	Revenue (RMB \$100 million)		YOY
		2016	2017(E)	
1	HiSilicon	303	387.00	27.72%
2	Unigroup Spreadtrum RDA	125	110.00	-12.00%
3	Sanechips (ZTE Microelectronics)	56	75.00	33.93%
4	Huada Semiconductor	47.6	52.30	9.87%
5	Goodix	30.79	39.25	27.48%
6	Beijing Smartchip Microelectronics	35.6	38.74	8.82%
7	Silan Microelectronics	23.75	27.33	15.09%
8	WillSemi	21.61	23.57	9.08%
9	Vimicro	20.5	22.50	9.76%
10	GigaDevice	14.89	21.24	42.67%

Source: TrendForce, 2017/11

Note: 1) The ranking only includes companies based in mainland China

2) Companies like OmniVision, ISSI, etc., which are still in the process of acquisition by Chinese companies, are excluded in this ranking.

According to TrendForce's forecast of 2017 IC design industry revenue ranking, Datang Semiconductor will drop out of top 10, while WillSemi and GigaDevice enter the list with their remarkable performance in revenue.

To be more specific, HiSilicon records a yearly revenue growth of more than 25% due to the increasing penetration rate of Kirin chips in phones. The surging mobile phone shipments of Huawei, the parent company of HiSilicon, also contribute to the revenue boost. Unigroup Spreadtrum RDA experiences a drop in revenue because of fierce competition in low- and mid-range market. Sanechips, whose core business is designing IC components for telecommunication applications, turns out to have a revenue growth over 30% after expanding its ranges of products.

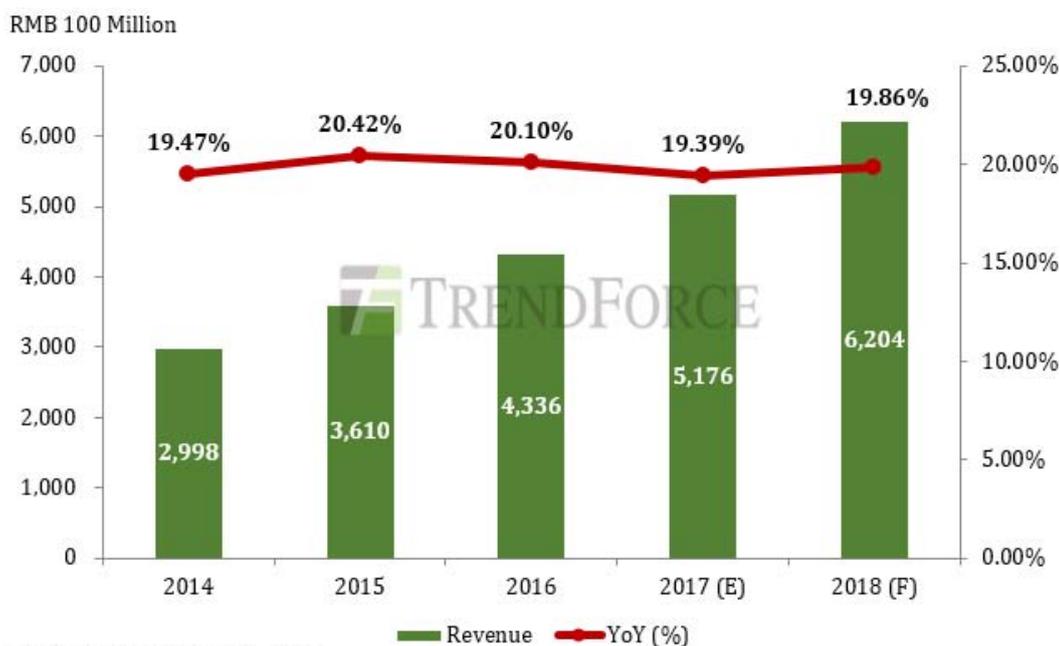
Huada Semiconductor benefits from rich resources of the corporation and develops wide ranges of products, including smart card, secure chip, analog circuit, and new display etc. Its revenue exceeds RMB 5 billion in 2017 for the first time. In the market of fingerprint sensors, Goodix's market performance is catching up to the market leader FPC. It records a revenue growth of 25% as a result of its competitive products and the increasing penetration rate of fingerprint recognition technology in smartphones. GigaDevice, which enters the top 10 list for the first time, has excellent market performance on NOR Flash and 32bit MCUs. Its 2017 revenue is expected to increase by more than 40%, reaching RMB 2 billion.

Driven by advancement of process technology, China's semiconductor industry will keep its rapid growth in 2018. The market share of low- and mid-range products in China's domestic market is expected to increase. On the other hand, the central government and local authorities of China will continue supportive policies in IC design to increase its self-sufficiency in semiconductor production. The second phase of National IC Fund is being raised, and the portion of funding in IC design will also be increased and expanded to companies in innovative end-application markets. IoT, AI, automotive electronics and other innovative applications also bring growing demand for IC products.

To learn more about the Breakdown Analysis of China's Semiconductor Industry report, please

According to its latest report Breakdown Analysis of China’s Semiconductor Industry, TrendForce estimates that the total annual revenue generated by the country’s domestic IC industry for 2017 will come to RMB 517.6 billion, representing an increase of 19.39% from 2016. TrendForce further forecasts that total revenue of China’s IC industry for 2018 will come to a new record high of around RMB 620 billion, with the annual growth again reaching around the 20% level. By contrast, the average revenue growth rate of the worldwide IC industry for 2018 is projected at 3.4%.

Chart 25 Revenue and Growth of China’s IC Industry, 2014~2018



Source: TrendForce, Nov., 2017

“Developments in China’s IC industry is driven by import substitution demand, government policies, major funding sources and innovative applications for semiconductor technologies,” noted Jeter Teo, research director of TrendForce. “Currently, key products in China’s IC market such as processors and memory components are still imported from overseas. China in fact has imported more than RMB 1.4 trillion worth of IC products annually for four consecutive years, from 2012 to 2016. Therefore, increasing domestic IC production has become a critical mission for the Chinese government.”

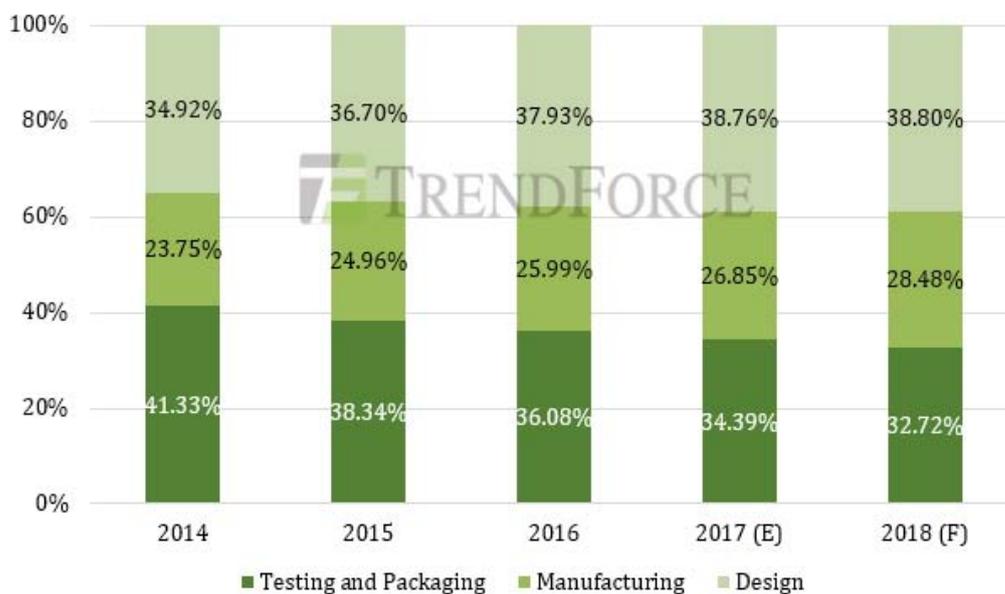
China’s recent policies show that the country is more determined than ever to develop its domestic IC industry. The establishment of the National IC Investment Fund in 2014 signaled that the Chinese government has changed its approach to supporting domestic IC companies. Rather than just providing subsidies to companies like before, the Chinese government is now actively reorganizing the industry by financially backing effective M&A deals. According to data, the National IC Investment Fund already raised RMB 138.7 billion in its first round of fundraising. The total sum raised by other local funds in China for the building of the domestic IC industry has also exceeded RMB 500 billion. In the past, IC demand in China mainly came from smartphones, tablets and other consumer electronics products. Going forward, the Internet of Things (IoT), artificial intelligence (AI), 5G networking and connected smart vehicles will be the innovative applications generating growth opportunities for the domestic IC industry.

China's IC industry has also undergone structural changes as seen in the revenue shares taken by different sectors within the industry over the recent years. "For the first time, IC design houses took more of the industry's total revenue than testing and packaging provider in 2016," Teo pointed out. "Within the 2017 to 2018 period, the IC design section of the domestic supply chain is going to keep growing. This growth will be attributed to the IoT market, where AI and 5G solutions will be driving the expansionary momentum. Other revenue opportunities will come from emerging applications such as biometric sensor hardware for fingerprint and facial recognition, dual-lens camera and AMOLED. In 2018, the revenue share of IC design houses in the Chinese IC industry is forecast to reach 38.8%, the largest among all sections."

As for developments in China's IC manufacturing, the country currently has 22 fabs for 12-inch wafers and 18 fabs for 8-inch wafers. Out of the total number of 12-inch wafer fabs, eight are still under construction. Among the 8-inch wafer fabs, five are also being built. The revenue share of the manufacturing section in China's IC supply chain is forecast to expand rapidly to 28.48% in 2018 as more fabs are expected to be in operation during the coming year.

The outlook for China's IC testing and packaging sector is positive as well. Domestic testing and packaging providers have benefitted from the formation of industry clusters across the country. Furthermore, their capabilities to produce high-end solutions are expected to mature as they obtain or develop advanced technologies and build up their production capacities. Considering various factors including the gradual advances on the technology front and the steady increases in volume of product orders, TrendForce believes China's IC testing and packaging industry as a whole will maintain double-digit revenue growth for 2017 and 2018.

Chart 26 Revenue of China's IC Industry by Sector, 2014~2018

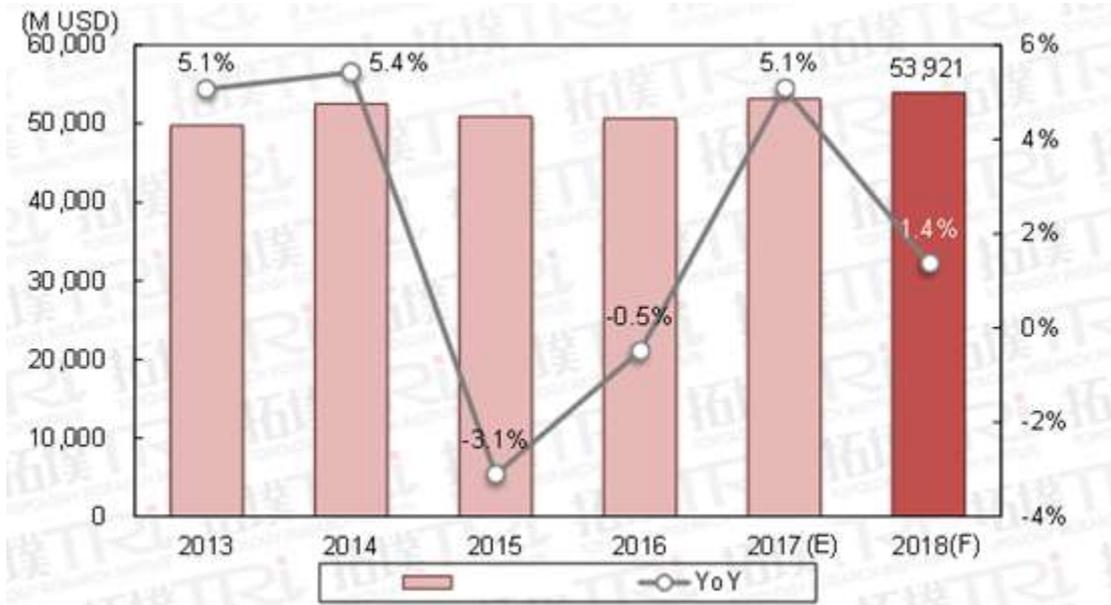


Source: TrendForce, Nov., 2017

Additionally, the upstream sectors of the China's IC industry, such as material and equipment suppliers, can take advantage of the demand created by the significant number of domestic fabs that are scheduled to enter volume production in 2018. Thus, future developments in the upstream are also being watched closely by China's national and local IC funds as well as by other investment groups.

Chart 27 Worldwide IC Packaging and Testing Sales Report and Forecast from 2013 to 2018

(US\$ million)



Source: Topology Research Institute, 2017/12

According to Topology’s forecast, worldwide IC packaging and testing in 2017 will have an increase of 2.2% to be US\$51.73 billion, a rebound from the slump in 2016, due to the increase in demand for mobile communication electronics which drive the penetration increase of high I/O and high integration of an advanced package, as well higher requirements for packaging and testing quality and quantity simultaneously.

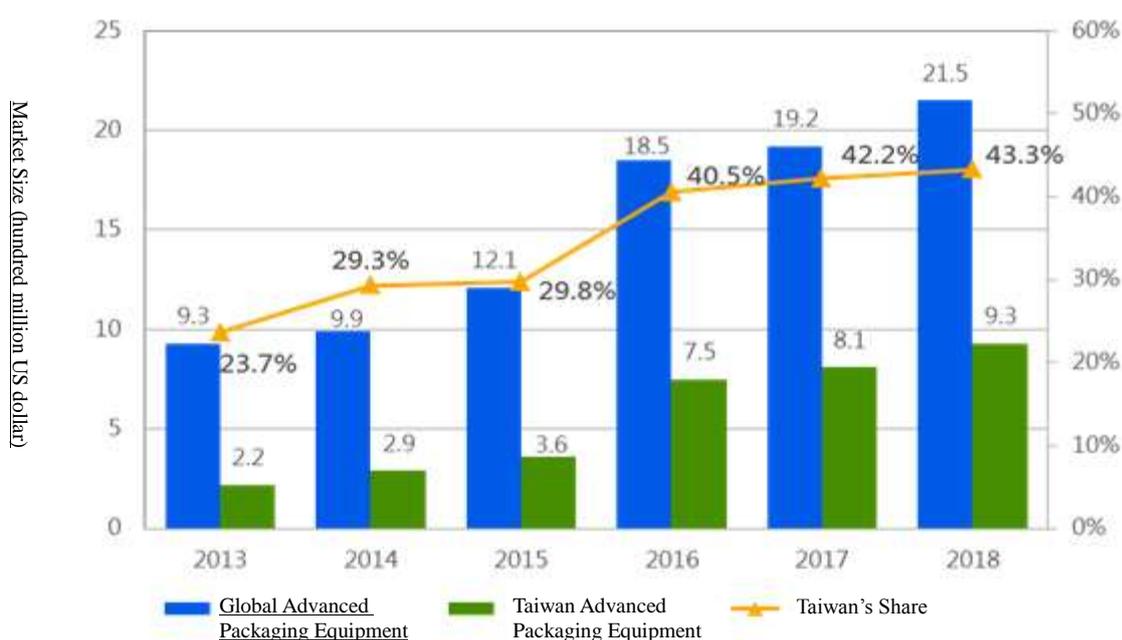
Table 15 Global Top 9 IC Packaging and Testing Companies in 2017
Unit: US\$ million

2017 Ranking	Company	Annual Revenue 2017 (e)	Annual Revenue 2016	Market Share 2017	Market Share 2016	YoY
1	ASE	5,207	4,896	10.1%	9.7%	6.4%
2	Amkor	4,063	3,894	7.9%	7.7%	4.3%
3	JCET	3,233	2,874	6.2%	5.7%	12.5%
4	SPIL	2,684	2,626	5.2%	5.2%	2.2%
5	PTI	1,893	1,499	3.7%	3.0%	26.3%
6	TSHT	1,056	823	2.0%	1.6%	28.3%
7	TFME	910	689	1.8%	1.4%	32.0%
8	KYEC	675	623	1.3%	1.2%	8.3%
9	UTAC-Taiwan	674	689	1.3%	1.4%	-2.2%

Source: Topology Research Institute, 2017/11

In 2017, by the advanced packaging technologies (Filp Chip, Bumping, etc.) and advanced packaging (Fan-In, Fan-Out, 2.5D IC, SiP, etc.), the production capacity of China's packaging and testing companies continued to grow as well as the business acquisitions. The YoY growth of China's top 3 packaging and testing companies, Jiangsu Changjiang Electronics Technology Co., Ltd. (JCET), Tianshui Huatian Technology Co., LTD (TSHT), and Tongfu Microelectronics Co., Ltd. (TFME) have reached double-digit rate which is better than the global YoY of 2.2%. It is estimated that the monthly production capacity of 12-inch wafer in China can actually increase 162,000 units by end of 2018. At that moment, the total monthly production capacity in China will grow by 1.8 times than the original of 200,000 units. This increased production capacity will become a significant effort for China's packaging and testing industries in 2018.

Chart 28 Taiwan and Global Packaging and Testing Equipment Share



Source : Yole Développement, managed by Metal Industries Research & Development Centre, 2018/01

Yole Développement Group's data presents the global demand of advanced packaging and testing equipment was US\$1.21 billion in 2015, among US\$0.36 billion for Taiwan. It forecasts the global demand will increase to US\$2.15 billion in 2018 among which Taiwan will share US\$0.93 billion.

The share of Taiwan's advanced packaging and testing equipment demand was nearly 30% prior 2015. In 2016, TSMC invested around NT\$30 billion in their InFO packaging process which brought an increase of over 40% to the demand of Taiwan's advanced packaging and testing equipment. The other major companies, ASE and PTI, also launched the development of FOWLP process due to TSMC's investment. The advanced packaging equipment demand in Taiwan is estimated at US\$800 million in 2017. The advanced packaging equipment will also be Taiwan's main development trends of rear-end packaging equipment in the future.

Source: Metal Industries Research & Development Centre

The new build-ups of wafer fabrication plant in China from 2017 to 2020 account for 42% in the world that arrives at a peak. According to SEMI's forecast during the latest two-year (2016-2017), considering the fab of 8-inch and 12-inch wafers, 19 new fab have been established, of which 10 are located in China. SEMI's further estimation shows that 26 new Chinese fab will throw into production during these 4 years (from 2017 to 2020). China will become the most active new fab build-up region in the world. The entire investment plan will account for 42% and be the biggest investment area of new construction in the world.

Chart 29 Share Analysis and Forecast of China's Fab Production Capacity



Source: SEMI, Zhongtai Securities Company

Chart 30 26 Fab in China



Source: SEMI, Zhongtai Securities Company Limited

ASKCI Consulting's Big Database presents the import volume of China's IC on December 2017 was 33.53 billion, YoY growth of -1.4%, and the annual import volume of 2017 was 377 billion, YoY growth of 10% compared with the previous year.

Chart 31 China's IC Import Volume Statistics in 2017
Source: ASKCI, 2018/01

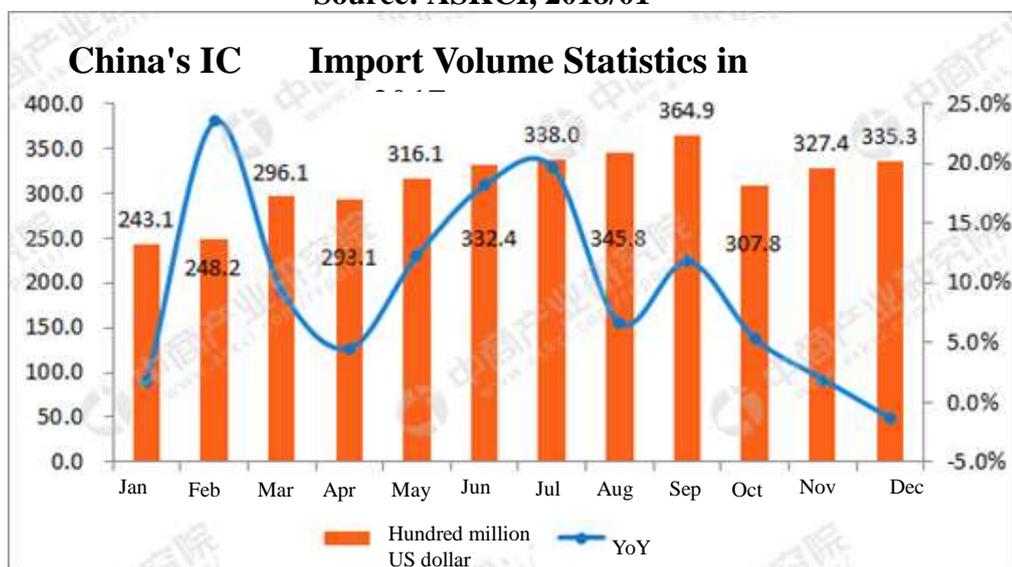
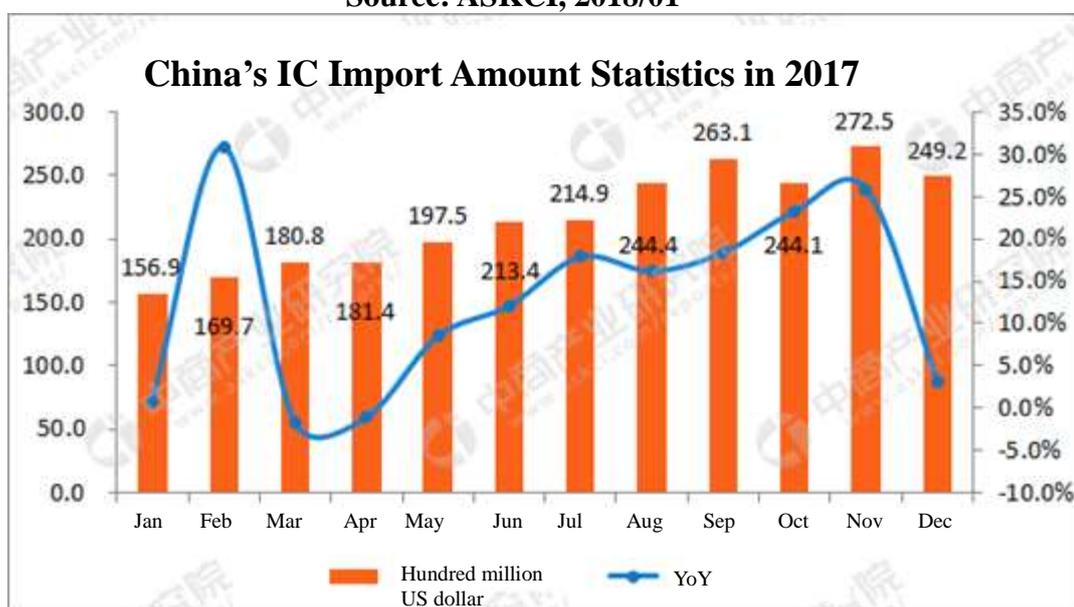


Chart 32 China's IC Import Amount Statistics in 2017
Source: ASKCI, 2018/01



China's IC import amount was US\$24.92 billion on December 2017, a YoY growth of 3.1%, and its annual import amount (from January 2017 to December 2017) reached US\$260.14 billion, YoY growth of 14.6%.

Table 16 China's IC Imports Statistics in 201

Month	Quantity (hundred million units)	Amount (hundred million US dollar)	YoY Quantity	YoY Amount
Jan	243.1	156.9	1.7%	0.7%
Feb	248.2	169.7	23.5%	30.9%
Mar	296.1	180.8	9.3%	-1.7%
Apr	293.1	181.4	4.5%	-1.1%
May	316.1	197.5	12.3%	8.5%
Jun	332.4	213.4	18.2%	12.1%
Jul	338	214.9	19.7%	17.9%
Aug	345.8	244.4	6.6%	16.2%
Sep	364.9	263.1	11.8%	18.4%
Oct	307.8	244.1	5.3%	23.3%
Nov	327.4	272.5	1.9%	25.9%
Dec	335.3	249.2	-1.4%	3.1%

Source: ASKCI, 2018/01
Website of original text

(2)TFT LCD (Thin film transistor liquid crystal display) Industry

(2.1) Current status and development of Worldwide TFT-LCD industry

WitsView reports that global LCD TV panel shipments increased quarter by quarter in 2017. 1H17 showed less momentum for holiday sales due to the high prices, but shipments rebounded in 2H17 as the prices declined and TV makers prepared for the year-end sales. Moreover, the new production capacities of BOE's Gen 8.5 fab in Fuqing and HKC's Gen 8.6 fab in Chongqing have been focusing on middle-size TV panels (43" and 32" respectively), bringing the annual shipments beyond expectation to 263.83 million pieces, an increase of 1.3% compared with 2016.

In the global TV panel shipment ranking for 2017, LG Display (LGD) came first place with a shipment of around 50.85 million pieces last year, a decrease of 3.9%. LGD expanded its production capacity in Guangzhou fab for 50K sheet, but in terms of panel size, increasing the production capacity share of 65" and greater panels has been the trend. Particularly, LGD shipments of 65" and 75" panels have increased significantly by 38.5% and 132.7% respectively, indicating that LGD has been making efforts to retain its market share in large-size TV panel sector before BOE's Gen 10.5 fab enter mass production.

BOE deliberately slowed down its 32" TV panel production growth in 2017, so the shipments of this size increased by only 0.4%, totaling 43.81 million pieces. But its total shipments climbed to second place for the first time as Samsung Display (SDC)'s closure of L7-1 fab influenced its production. As BOE's Gen 8.5 fab in Fuqing entered mass production in 2Q17, BOE's shipments of 43" TV panels grew remarkably by 247.6%.

Innolux's Gen 8.6 fab entered mass production in early 2017, but the yield rate and output were less than expectation in the first half of 2017. In the second half, high pricing of panels led to shrinking demand, resulting in Innolux's slow-moving and excess stocks. In addition, Innolux announced to enter the TV assembly market, which made its clients more conservative in making orders. Fortunately Innolux figured out the solutions of pricing and stock problems, and ended up with shipments of 41.8 million pieces, an increase of 0.2%, ranking the third.

SDC's shipments saw a substantial decline of 15.4% last year since the closure of its L7-1 fab. Its overall TV panel shipments turned out to be 39.6 million pieces, the highest decline among the six major panel makers. Although its shipments have dropped out of top 3, SDC has improved capacity utilization by simplifying its product mix, and has invested in production equipment of UHD and large-size panels to increase the value of its products. As for product portfolio, SDC took initiatives to develop UHD panels, whose proportion came to 54.6% among all of SDC's products, and also remained a major supplier of large-size panels (55", 65" and 75"). Particularly, its market share of 65" sector was as high as 36.3%, showing definite advantages over its competitors.

China Star Optoelectronics Technology (CSOT) kept increasing the shipments after the capacity of the second phase of its second Gen 8.5 fab was expanded to 140K sheet. CSOT's final shipments recorded 38.64 million pieces, an increase of 16.8% compared with 2016. Particularly, 55" panels recorded a 19.4% shipment growth, as CSOT's capacity expansion came mainly from this size. As for the growth by shipment area, CSOT recorded a 19.6% YoY increase, the highest among the six major panel makers.

TV panel shipments for AU Optronics (AUO) in 2017 came to around 27.21 million pieces, 0.1% down from the 2016. AUO continued to optimize its product portfolio and increased the proportion of large-size panels, so it finally recorded a 5.1% growth of shipment area. In addition, AUO also put focus on increasing the proportion of UHD products, reaching 44% of all its products, the third highest number following LGD and SDC.

Table 17 Top LCD TV Panel Suppliers by Global Shipments for 2017
(Unit: in K pcs)

Company	2016	2017	YoY
LGD	52,940	50,854	-3.9%
BOE	43,639	43,806	0.4%
Innolux	41,725	41,799	0.2%
SDC	46,799	39,598	-15.4%
CSOT	33,090	38,639	16.8%
AUO	27,224	27,208	-0.1%
Others	14,996	21,927	46.2%
Total	260,413	263,830	1.30%

Source : WitsView, Jan., 2018

As for 2018, WitsView points out that the panel makers will continue to increase the production shares of large-size panels and UHD panels to boost the revenue and profit. The penetration rate of UHD panels is expected to

reach 42% in 2018, an increase of 7.4 percentage points compared with 2017, says WitsView. Regarding the new production capacity, BOE's Gen 10.5 fab produces mainly large-size TV panels (65" and 75"), but CEC's two fabs still put their priorities at middle-size ones (32" and 50"). Meanwhile, replacement of CRT TV sets with 32" and 23.6" LCD ones is still ongoing in emerging markets, making the average panel size grow slower to 45.8 inches, only 1.3 inches up from 2017. Overall speaking, global TV panel shipments this year will have chance to hit a second-highest number in history, reaching 269.49 million pieces, an annual increase of 2.2%.

In addition, OLED TV market shows remarkable performance in 2017, resulting in global shipments of 1.5 million units, a 72% rise compared with 2016. WitsView expects that LG Electronics (LGE) and SONY will continue to expand their OLED offerings in the high-end market, both brands will record slight shipment rise in 2018.

According to WitsView, global shipments of branded LCD TV sets for 2017 totaled 211 million units, a decrease of 4.1% compared with 2016. In 2018, TV brands will focus on large-size, high-resolution products, and also develop high-end products like QLED and OLED TVs, hoping to push sales and regain profits by specifications upgrade.

In terms of product plans of major TV brands, Samsung, LG and Sony, etc. are now actively developing their product mix of large-size TV sets (65", 75" or greater). The proportion of 65" TVs or greater will increase from 5.5% in 2017 to 7% in 2018. BOE Gen 10.5 will offer 65" and 75" panels to the market after 1Q18, which may lower TV makers' costs of purchasing large-size panels.

In the high-end market, OLED TVs and QLED TVs remain two competing camps. Led by Samsung Electronics, QLED camp will maintain an overall higher market share than OLED camp. On the other hand, OLED TVs are expected to raise the market share to 1.1% in 2018 since LGD expands its production capacity, gradually narrowing the gap with QLED camp.

With the increasingly fierce competition, the TV market is faced with homogeneous products and squeezed profits, so specs upgrade has become the key to driving new purchases and ensuring profitability. Therefore, China's Gen 10.5 or more advanced fabs will play an important role in promoting upgrade of TV size and resolution. In addition, QLED TVs and OLED TVs will also create product differentiation in high-end market, which will bring more highlights to the 2018 TV market.

According to WitsView, the total shipments of PC monitor panels and notebook panels in 2017 were 314.94 million pieces, a YoY increase of 3%. In 2018, IT panel makers will focus on reducing border size, increasing viewing angle and resolution. Vendors also aim to drive shipments through specification upgrade. It is expected that the total shipments of PC monitor panels and notebook panels will reach 326.37 million pieces in 2018, a YoY increase of 3.6%.

The shipments of monitor panels have witnessed continuous decline due to saturation of market and panel size increases, says WitsView. The number of monitor panels shipped worldwide was 137.59 million units in 2017, a YoY decline of 1.6%. On the other hand, demand for notebook panels kept

going up quarter by quarter in 2017 thanks to bidding orders from North America and promotion by Chinese vendors in 2H17. The annual shipments totaled 177.35 million units, a YoY increase of 6.9%. This also indicates that the market growth comes back to a positive figure after two years of recession.

As Innolux's Gen 6 fab and BOE's Gen 8.5 fab in Fuqing allocate more capacity to monitor panels, the market will probably see monitor panel shipment rise in 2018 for the first time in seven years. The shipment is expected to 140.36 million pieces, a YoY increase of 2%. In terms of brands' product mixes, they will continue to shift their focus to high-profit specifications, including large-size, borderless, and gaming-related models; so the monitor shipment will gradually drop. The glut ratio of monitor panels is expected to reach 4.9% this year, much higher than the past three years when the figures were lower than 1%.

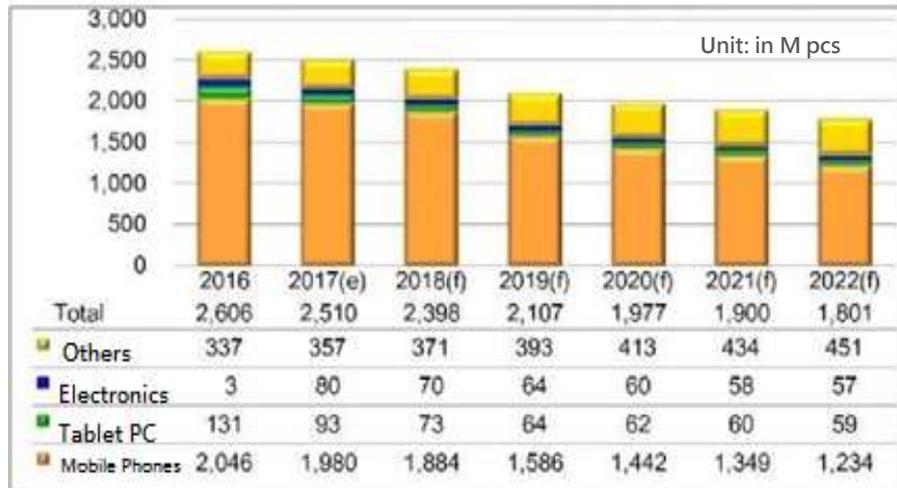
Panel makers are going to allocate more resources and capacity to notebook panels driven by the better-than-expected shipments of this category. In addition, notebook panels turn out to be more profitable than TV panels and monitor panels, thus motivating the makers as well. As the result, the shipment of notebook panels is expected to reach 186.01 million pieces in 2018, an increase of 4.9% YoY.

Global shipments of small- to medium-size LCD panels are estimated to suffer a negative CAGR of 6.4% and 6.9% during the next five years to reach 1.8 billion pieces in 2021 and 2022, down from 2.51 billion for 2017 and 2.4 billion estimated for 2018, according to Digitimes Research. The significant shipment contraction can be attributed to the fact that global leading suppliers such as Samsung Display, LG Display and Japan Display have reduced their production capacities for smaller-size LCD panels to focus more on turning out AMOLED panels.

Due to declining market demand for feature phones and slowed growth in demand for smartphones, global shipments of panels for mobile phones are estimated to experience a marginal CAGR of 0.4% and 0.3% to reach 2.47 billion units in 2022 from 2.43 billion pieces in 2017 and 2.44 billion pieces estimated in 2018. But the penetration rate of AMOLED smartphone panels will shoot up to 50.1% in 2022 from 18.3% in 2017 and 22.8 % in 2018.

In contrast, global shipments of LCD panels for mobile phones will register a negative CAGR of 9%% and 10% during the 2017-2022 and 2018-2022 period. In particular, global shipments of such panels are expected to plunge 15.8% on year in 2019, when new AMOLED production capacities of major panel makers worldwide will be fully available and Apple's iPhone devices may all adopt AMOLED panels, Digitimes Research estimates.

Chart 33 Global Small- to Medium-Size Display Shipment Forecast 2016 - 2022



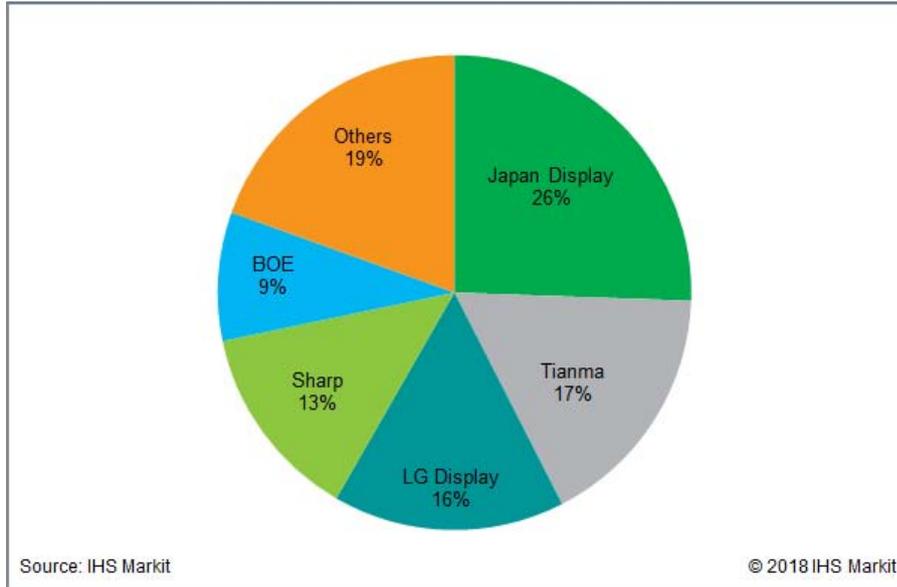
Source: DIGITIMES Research, Dec., 2017

Total shipments of mobile phone displays, including thin-film transistor liquid crystal display (TFT LCD) and active matrix organic light-emitting diode (AMOLED) panels, reached 2.01 billion units in 2017, up 3% from 2016, according to IHS Markit.

In the growing mobile phone display market, shipments of low-temperature-poly-silicon (LTPS) TFT LCD panels, which realize high-resolution images, increased by 21% to 620 million units in 2017 compared to the previous year. Shipments of amorphous silicon (a-Si) TFT LCD mobile phone panels declined 4% to 979 million units during the same period.

In the smartphone-use LTPS TFT LCD market, Tianma, a leading small and medium panel supplier in China, has shown significant growth, expanding its shipments to Chinese smartphone set brands, such as Huawei and Xiaomi. In 2017, Tianma shipped 105 million LTPS TFT LCD panels for smartphones, almost double its shipments in 2016, with a market share of 17%, up 6% from 2016. It ranked the second largest LTPS TFT LCD supplier for smartphones in 2017, taking over LG Display with 16%, down 4%, and Sharp with 13%, down 1%. In 2017, Japan Display continued its market leader position but shed its share by 10% to 26% in 2017, according to IHS Markit.

Chart 34 Forecast of LTPS LCD Maker's Shipment Share for Smartphone in 2017



Source: IHS Markit, Feb., 2018

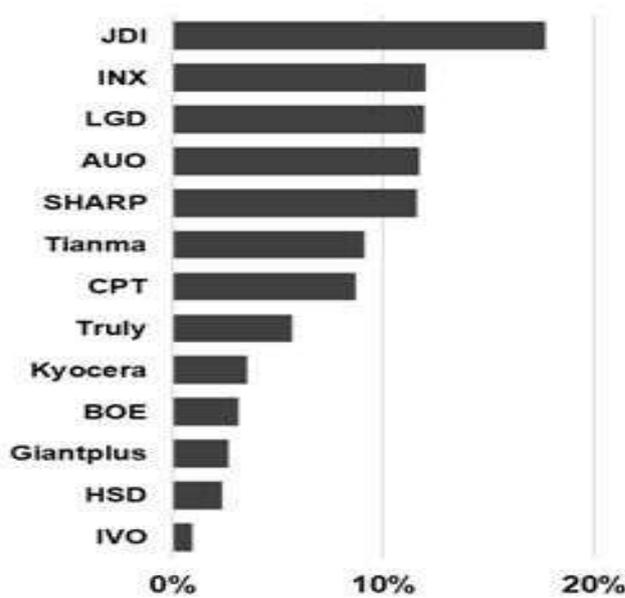
Table 18 Global Ranking of Smartphone Production and Market Share by Vendors, 2017 - 2018

Rankings	2017 Company	Market Share	2018F Company	Market Share
1	SAMSUNG	21.9%	SAMSUNG	20.3%
2	Apple	15.2%	Apple	15.7%
3	HUAWEI	10.8%	HUAWEI	11.6%
4	OPPO	7.6%	Xiaomi	7.1%
5	vivo	6.6%	OPPO	7.0%
6	Xiaomi	6.4%	vivo	6.1%
	Others	31.6%	Others	32.2%
Total Global Production Volume (Unit: M)		1,457.5		1,498.3

Source: TrendForce, Feb., 2018

According to Sigmaintell, automotive display panel shipment reached 150 million units (not including after-sale market), a 12% YoY growth in 2017. It's expected that the shipment would reach 170 million units, a 13% YoY growth in 2018. In terms of market distribution in 2017, JDI led the market with a 12% YoY growth, followed by Innolux with a 3% YoY growth. LG Display was ranked 3rd with a 21% YoY. AUO and Sharp were separately ranked 4th and 5th. But Sharp had a 0.3% YoY decrease. The shipment of China makers reached 58% YoY growth.

Chart 35 Global Automotive Display Panel Shipment Ranking in 2017



Source: Sigmaintell

Source: Sigmaintell, Apr., 2018

China panel makers have been involving lot of investments in developing automotive display, and the shipment in 2017 shows even more impressive. Tianma is the pioneer to get involved in the automotive display in China and has reached a 44% YoY growth in 2017 especially in the markets of dashboard and navigation monitor.

Truly is ranked the second among the automotive display makers in china and has reached a 21% YoY growth in 2017. The continuous increase in the growth is expected due to the new production lines will join in 2018.

BOE started its business in the automotive display panels since 2016 and has reached a significant YoY growth of 58% in the shipments of 2017 especially in the market of navigation system.

With the construction of several new Generation 10.5 fabs underway, and the first mass production shipments expected in the 1Q18, the panel market will experience an oversupply, thus leading to a continuous drop in panel prices. Some panel makers tune their partial production toward developing the automotive display panel. The existing automotive display panel makers have expanded the product production lines and actively applied LTPS and Amoled in the automotive display, and take the lead in the automotive display panel market as well.

IHS estimates that JDI will account for 28 million units in the shipments of the automotive display panel and lead the market in 2018. Innolux will follow and account for 23 million units. LGD will account for 19.5 million units. Sharp, AUO and Tianma will separately account for 19 million units, and CPT will account for 14 million units.

According to LEDinside, the total automotive display in 2017 was about 241 million sets and is predicted to total 624 million sets in 2025, CAGR of 2017-2025 is 13%. The growth driver comes from rising IOV penetration, new energy car and autonomous vehicles. Hence, interior automotive display amount significantly rose.

Meanwhile, Micro LED display has higher contrast and brightness than OLED display, product price and performance sufficiently increase. In the near future, Micro LED will replace the current display in IT and automotive applications. However, high entry barriers are always in automotive display, at least three years for testing and certification are requested, therefore, the gross margin for automotive panel is high and business secure. Once joining the automotive supply chain, the quantity and price of orders are steady and it is not easy to be replaced.

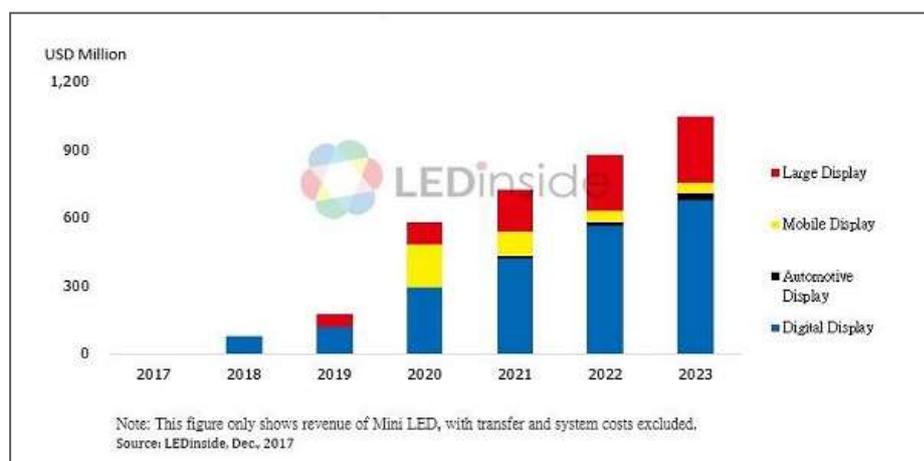
Currently, LCD is still the mainstream display of automotive market. However, owing to the shortcomings of LCD such as curved and flexibility design, OLED may have the chance to replace LCD. But OLED reliability needs to be improved. If the reliability problem can be solved, then OLED may take over the market.

Due to Micro LED's good performance, it can be applied in the fields such as wearable watch device, mobile phone, automotive display, AR/VR, digital display and TV. However, owing to tough technique and high cost, it is more suitable to be applied in high-level TV, digital display and automotive display; in terms of Micro LED market scale, large-size display will become the mainstream application. The Micro LED market value in large-size display in 2025 is expected to reach USD 1.98 billion, which takes up 68% of the entire application.

LEDinside points out that LED manufacturers have turned to research and development of Mini LED, due to Micro LED's technological bottlenecks which make it harder to realize commercialization in short term.

Companies can develop Mini LED using their current equipment, with only small changes of manufacturing process. Mini LED has the potential to be adopted for television, mobile phones, automotive display, digital display, etc., with revenue expected to reach US\$1 billion in 2023. In particular, LED digital display and large-size TV will be the mainstream applications of Mini LED.

Chart 36 Mini LED Revenue Forecast, 2017 - 2023

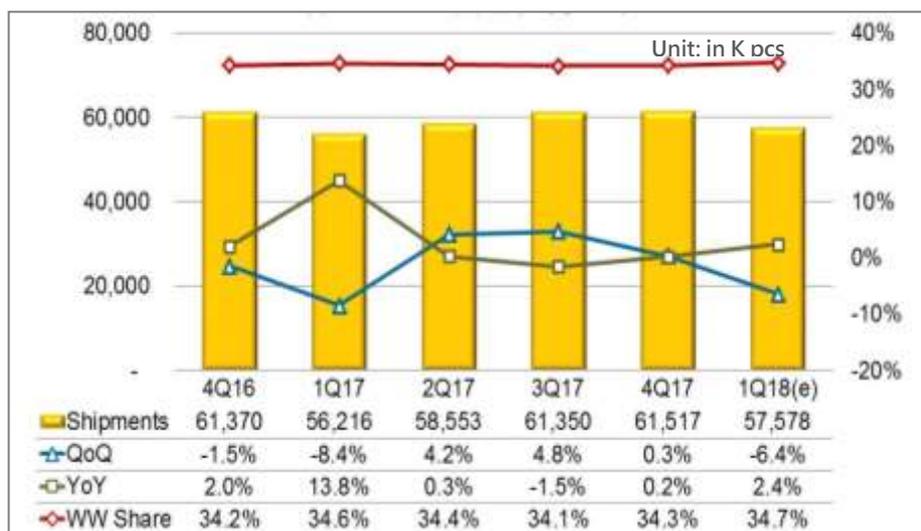


Source : LEDinside, Dec., 2017

(2.2) Status and development of TFT LCD industry in Taiwan and China

Shipments of large-size LCD panels (9-inch and above sizes) by Taiwan panel makers (excluding Sharp) amounted for 61.52 million units were better than expected in the fourth quarter of 2017, rising 0.3% on quarter and 0.2% on year to reach 61.52 million units, according to Digitimes Research. For all of 2017, Taiwan's shipments of large-size panels amounted to 237.8 million units, increasing 2.7% on year, higher than the global average of 2.3%. In terms of application, shipments of notebook panels by Taiwan makers enjoyed the highest growth rate of 8% on year in 2017, while those of monitor panels suffered a decline of 2.2%. For the 1Q18, Taiwan's large-size panel shipments are expected to fall 6.4% sequentially as compared to a 8.4% decrease seen in the same period of a year earlier as Taiwan makers will adjust their production lines to offset the impact caused by reduced work days during Lunar New Year in the quarter, while also leveraging Samsung Display's departure from the notebook panel segment, according to Digitimes Research.

Chart 37 Large-Size Display Panel Shipment Forecast by Taiwan Makers, Q4, 2016 – Q1, 2018



Source: DIGITIMES Research, Jan., 2018

LCD panel market is expecting several new large generation fabs in 2018. BOE has launched the world's first Gen 10.5 fab, while CEC-CHOT's Gen 8.6 fab and Gen 8.6+ fab of CEC-Panda Chengdu will also go into operation in 2018. WitsView says that there was a 20-40% downward correction in TV panel prices during 2017. While the price decline in the TV panel market will be easing in first half of 2018, this first quarter will still see the price trend on a gradual downward slope.

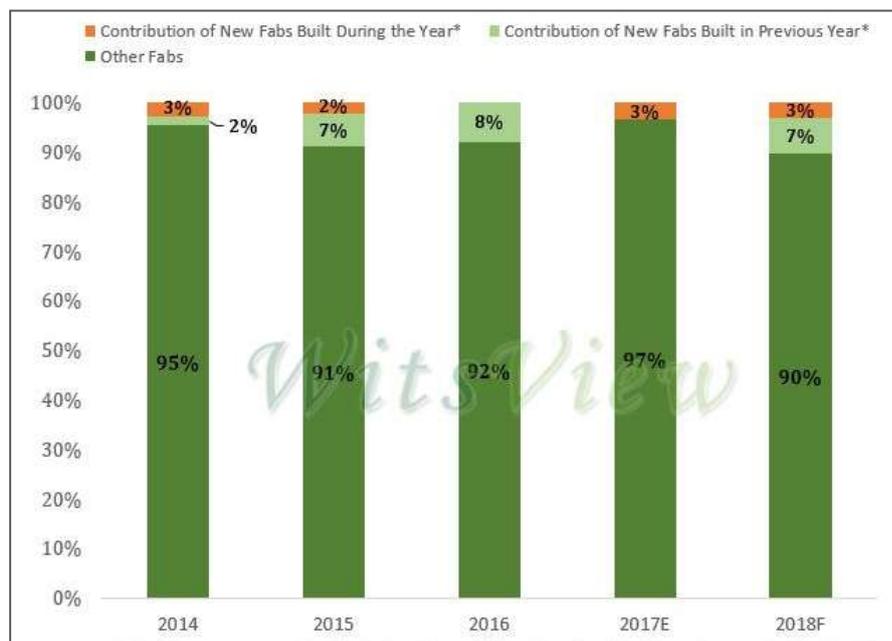
Falling panel prices will spur promotions in the end product market. Therefore, stock-up demand from TV brands will be warmer in second half of 2018 compared with the second half of 2017. The supply and demand of TV panels are also expected to reach a more balanced state. WitsView indicates that the risk of serious oversupply in the TV panel market will most likely to happen later in 2019.

WitsView also points out that the new fab will have limited input in early stages, and will need time to improve field rate and production capacity. Therefore, WitsView estimates that they will only contribute to 3% of the global glass input for large-size LCD panels. And the figure is expected to rise to 6-8% in 2019.

Going into operation on December 20th, 2017, BOE's Gen 10.5 fab in Hefei is expected to enter mass production in March 2018. The major products will be large-size TV panels of 65" UHD 60Hz and 75" UHD 60Hz, intensifying the competition in large-size (65" or greater) TV panel market.

WitsView forecasts that BOE's Gen 10.5 fab will target at more than 2 million pieces for the production of 65" panels, but whether this goal can be achieved still depends on the improvement in yield rate. The Gen 10.5 fab will not have large-scale influences on the overall supply in the industry in 2018, but BOE will impact the market in 2019 with its shipments expected to reach 3 to 4 million pieces. In 2020, BOE is even predicted to surpass panel makers in South Korea and record the highest shipments for 65" panels, with its market share reaching around 37%. In comparison, the market share of Taiwanese panel makers for 65" panels will drop to 18% in 2020 without any capacity expansion.

Chart 38 New Fabs' Contribution to Global Glass Input for Large-Size LCD Panels (by Area)



Source: WitsView, Jan., 2018

Taiwan panel makers is expected to ship 270 million units of small- to medium-size TFT-LCD panels in 1Q18, down 14% on quarter, mainly due to seasonality according to Digitimes Research. In 3Q17, small- to medium-size panel shipments amounted for 314 millions units, only down 1.1% on quarter sequentially due to higher-than-expected output from 6G LTPS lines at AU Optonics (AUO) and Innolux and increased demand for panels from the feature phone sector in India.

Taiwan panel makers still maintained stable shipments in the 4Q 17 - traditional low season, thanks to strong demand for 18:9 smartphone and tablet pc separately with quarterly growth of 1.9% and 12.4%

A slowdown in the demand for LCD panels is forecasted in 1Q18 due to the seasonality. Taiwan panel makers turn to the shipment of the industrial control panels and some other commercial product panel including smart audio and emerging consumer electronics with small- to medium-size that receive minor impacts but are still with decline of 7.3% and 7.5%; the digital camera is the one with the highest decline of 22%. There's only tablet pc panel has the shipment with growth due to the demand by Amazon.

In terms of makers, Hannstar turned to the shipments of feature phone panel and low-end smartphone-use panel due to strong demand in 4Q17, in contrast, CPT had serious decrease in the shipment of feature phone panel and smartphone-use panel (18:9) which was caused by the shipping delay. Due to the seasonality in 1Q18, Hannstar has the highest decline in shipment but Innolux is benefited by the demand for the smartphone-use panel from china and has the lowest decline in shipment among the Taiwan makers.

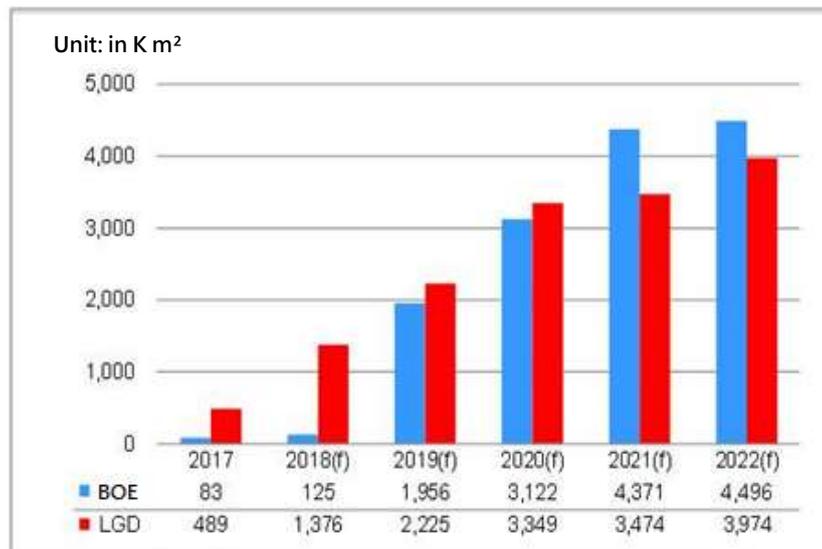
A notable development is that China panel makers have seen their shipments of smartphone-use panels surge significantly along with the growth of leading China smartphone vendors such as Huawei and Oppo which have ranked among the world's top five brands. The shipments of China panel makers are likely to exceed those of Taiwan counterparts in 2017. But Taiwan makers will remain highly competitive in the panel applications for the industrial control, automotive electronics and other consumer electronics sectors, also they will continue to dominate in the small- to medium-size segment as China makers are more aggressive in shifting to production of AMOLED panels, Digitimes Research indicates.

Chart 39 Small- to Medium-Size LCD Display Panels Shipment Forecast by Taiwan Makers, Q4, 2016 – Q1, 2018



Source: DIGITIMES Research, Feb., 2018

Chart 40 Small- to Medium-Size LCD Display Panels Capacity Forecast by BOE and LGD, 2017-2022



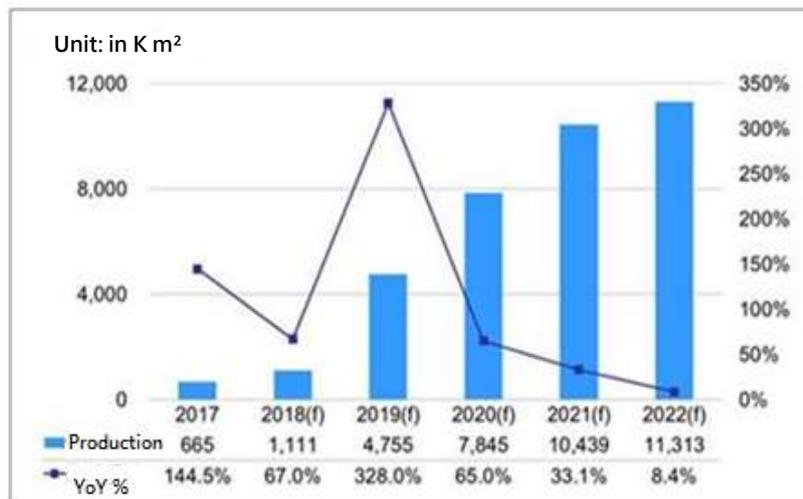
Source: DIGITIMES Research, Jan., 2018

Digitimes Research estimates that China OLED makers currently hold a 7.5% market share in the global small- to medium-size AMOLED market, but China makers will see very fast growth (76% CAGR) and will reach 11.31 million square meters with a market share of 33.4% in 2022.

China already has several AMOLED makers including EverDisplay, BOE, TianMa and Visionox. Digitimes Research estimates that BOE will emerge as China's leading AMOLED maker, and by 2021 its capacity will be larger than LG Display's capacity and BOE will be the world's second largest AMOLED maker.

IHS sees the global AMOLED market differently and expects Samsung to command 52% of the AMOLED industry in 2022, followed by BOE, LG Display (11%), Tianma (6%), CSOT (5%), Visionox (4%) and EverDisplay (4%).

Chart 41 China Gen 6 and below fabs' AMOLED Panel Capacity Forecast, 2017-2022



Source: DIGITIMES Research, Jan., 2018

China panel makers decreased their investments in small- to medium-size LTPS TFT LCD panel and tuned them toward AMOLED instead due to the niche markets in the flexible AMOLED. It's estimated that the mass production schedule for AMOLED by China panel makers will catch up that of Koarean panel makers under China Government's funding.

Digitimes Research reports that China OLED makers (BOE, Tianma, Visionox, everdisplay and Royole) have stepped up their efforts to develop and present their flexible AMOLED panels. Sinopulsar and Shintek are also catching up.

BOE started to produce flexible OLED displays at its Chengdu B7 fab, and demonstrated its first batch of flexible OLED panels as well as delivered samples to representatives from Huawei, Oppo, Vivo, Xiaomi and other China phone makers.

Visionox has stated its flexible OLED "roadmap" as the company wants to start with curved panels, then moves to foldable and finally to stretchable displays. Visionox has achieved mass production technology for curved OLEDs. It's estimated that the first flexible AMOLED fab will start the production in the summer of 2018.

Korean OLED makers (SDC and LGD) will halt their OLED capacity expansion in 2018, but will resume adding capacity in 2019. Meanwhile China makers will continue their fast expansion plans in 2018-2020.

Instead of attempting to fight for OLED display supply against Apple, the China smartphone makers are turning towards mini LED in 2018.

China makers have reportedly asked Taiwan suppliers to produce the Mini LED backlighting in June 2018 in anticipation of products that would debut in the second half of 2018. It's estimated that technological advances in Mini LED product designs have the potential to cut production costs, further boosting the smartphone makers' readiness to adopt the technology.

At the CES 2018, Samsung was the first company to announce a consumer-oriented product featuring a Micro LED display. It showcased a 146-inch modular TV with micro LED-backlit. Micro LED shares many benefits with OLED; each microscopic LED can emit its own light - no backlight is required - and that creates the deep blacks and lush colors normally reserved for OLED sets. It also gets incredibly bright. For now, the Micro LED TV falls into concept territory, but Samsung has very real plans to commercialize it. More information is promised to come at "a global launch" sometime in 2018.

Major China OEMs are looking for alternative display technologies for use in their future smartphones as Apple plans to shift its entire lineup to OLED display panels in 2018. Xiaomi, Huawei, and Oppo plan to use Mini LED-backlit panels in their smartphones that will be launched in the second half of 2018. Current supply of OLED panel from Samsung was occupied by iPhones and high-end Samsung smartphones, while the yield rate of other OLED panel makers remains low. As the result, mobile phone vendors have been trying to find alternatives for their flagship models. Mini LED is considered a feasible option because it is comparable to OLED in terms of high color saturation, high contrast, and support to HDR. However, the advantages of OLED are more obvious.

These smartphone vendors are opting Taiwan display makers such as Innolux and Epistar and encouraging them to produce Mini LED displays. The production of these screens could start in June 2018. Roughly at the same time as Apple plans to massively produce the new generation of iPhone smartphones. Mini LED displays could be a very interesting solution for many smartphone vendors. They are more technologically advanced than regular screens. Also they provide a better view of the content on the screen with lower power consumption. In addition, the Mini LED displays will be even cheaper in production that could boost smartphone manufacturers.

When it comes to the development of Micro LED and Mini LED, the LED industry is optimistic but also needs to continue monitoring breakthroughs for their technologies and the pace of readiness for their mass production. However, in the more profitable niche markets where the gross profits are high, the costs are not a priority for vendors. Therefore, Mini LED has higher chance to be adopted in the niche markets. Current devices using Mini LED include the 10.1-inch automotive display released by Innolux at the CES 2018, the 27-inch LCD gaming monitor, 15.6-inch notebook and 2-inch VR devices launched by AUO recently, etc. it can be seen that the Mini LED technology has more opportunities in niche markets.

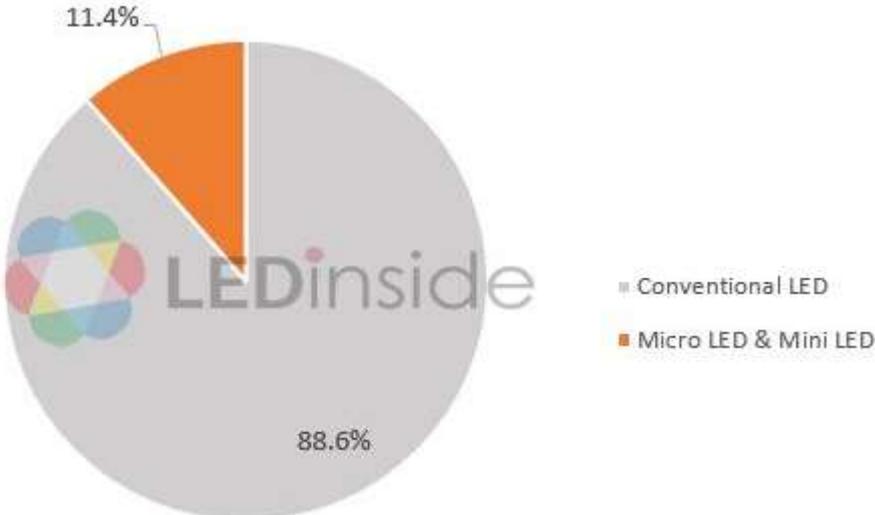
(3) LED (Light-Emitting Diode) Industry

(3.1) Status and development of Global LED Industry

According to the latest report from LEDinside, a division of the market research firm TrendForce, in 2017, due to the stable prices on LED market and the rapid growth of automotive lighting and outdoor architectural lighting, LED market value of 2017 reached USD 17.16 billion, up 7.4% YoY. Furthermore, in 2017, the usage volume of LED wafer (4 inch Equiv.) around the world was 37 million, up 30 % YoY. Although the rise of OLED may affect the usage volume of backlight applications in cellphone and large-size panel, the usage volume of general lighting and automotive lighting has increased. Besides, with the quick growth for the application of fine pitch LED digital display, LED wafer volume has grown dramatically. However, as Chinese LED manufacturers continue to expand their capacities significantly, the overall industry capacity may grow much faster than the demand in the future. Therefore, vendors need to rely on new applications to boost the demand, in this case, the technical progress of Micro LED and Mini LED will play an important role.

Because of the massive expansion in capacity for Chinese LED manufacturers, LEDinside expects that the ASP of LED will decrease in the future. Yet, owing to general lighting and automotive lighting, LED penetration rate will rise. In addition, with the appearance of new Micro & Mini LED, the future applications will become diversified. LEDinside forecasts that LED market value is expected to grow to USD 25.5 billion, with the CAGR of 7% from 2017-2022. It is estimated that wafers for applications using Micro LED and Mini LED will account for 11 percent of the total LED wafers used worldwide by 2022. These applications will become a key driver of the market demand.

Chart 42 LED Wafer Volume Forecast for Applications Using Micro LED & Mini LED by 2022



Source: LEDinside , 2018/3

As to high-brightness LED chips, the global production of high-brightness LED chips is expected to grow 2.8% year-on-year to USD13.18 billion in 2017, forecasts Digitimes Research. The momentum of global LED industry reached its peak in 2014 and then gradually slowed down. In 2017, there will be 303.75 billion high-brightness LED chips shipped globally, increasing 23.9% on year. The biggest growth is in lighting, increasing 39.2%. Digitimes Research estimates the global production of high-brightness LED chips to grow 4.8% to USD13.81 billion in 2018, then at 2-5% annually during 2018-2022. It is due to that LED lighting penetration will approach saturation. Also, the production value for backlighting applications will continue to decline, while backlighting applications for handsets will drop significantly. And the applications which have double-digit growth such as automotive and displays only represent slight shares of the market.

A. Development by region

Europe has been the largest market for LED lighting and is expected to continuously be the major share of the global LED market. The growth is mainly contributed by the demand for outdoor lighting applications as a result of the strict energy efficiency laws. The demand for residential lighting also drives the market growth. In addition, new opportunities will emerge while EU implementing its Green Paper.

North America is another important and growing market for LED lighting. New products in compliance with energy efficiency standard and high disposable income provide the momentum for the growth of LED lighting applications. The United States in particular is the target market for all LED lighting manufacturers.

The Asia Pacific is the market with rapid growth and gaining importance. The development in infrastructure and urbanization in emerging countries raise the demand for LED lighting for the construction of large commercial facility, infrastrucrue and industrial zones. Besides, energy policies such as subsidy and tax incentives in both central and local governments, mega procurement projects such as stree light replacement and residential and commercial area reform, and the completion of LED lighting products standard and certification are all enhancing the popularization of LED lighting. Among the Southeast countries, Vietnam and India are experiencing the rapidest growth.

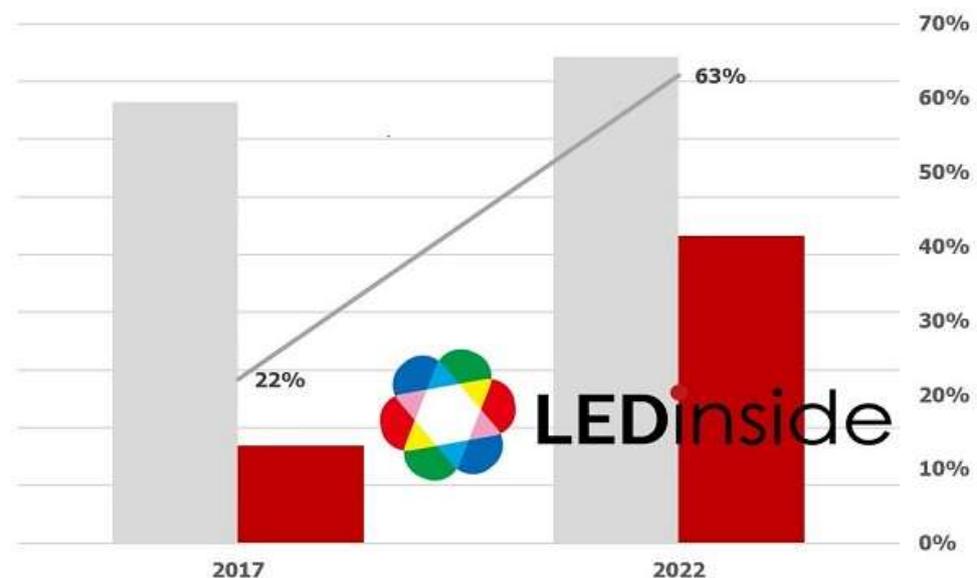
The development in Latin America is comparatively behind. Thus the market is more friendly to new manufacturers and brands. Brazil is a forerunner in Latin America to adopt LED applications. Brazilian government already started LED street light installation. The demand for LED in the Middle East, Africa, and Arab countires is expected to appear in the next few years.

B. Development by applications

According to the latest report from LEDinside, LED lighting market scale has been increasing during 2016~2019 and will achieve USD 32.717 billion in 2018 and will reach USD 33.3 billion in 2019 when lighting that can be replaced enter the period of saturation, while industrial, architectural and landscape, outdoor and special commercial lighting will keep on developing.

According to LEDinside survey on global installed LED lighting market, the quantity of installed LED lighting products replacing traditional lights increased rapidly. The LED lighting penetration in 2017 is 22% and it is expected to reach 63% in 2022. CAGR of installed LED lighting products will be 26% during 2017 to 2022.

Chart 43 Global Installed LED Lighting Market Volume and Penetration Rate



Source: LEDinside · 2018/3

In recent years, manufacturers have adopted different strategies to accelerate the transformation and upgrading. They have been giving up general lighting products with low profits, and turning to smart lighting with higher profits and better prospects. Smart lighting has been developed for years, but products and applications are not really used widely. In 2017, however, smart lighting has begun to escalate with diversification of products, continuous improvements of technology, maturing ecosystem of industry chain, and active promotion of manufacturers. According to the latest data of LEDinside, the global smart lighting market reached a value close to US\$4.6 billion in 2017 with an annual growth rate of 95%. The market size is expected to reach US\$13.4 billion in 2020.

Chart 44 Global Smart Lighting Market Revenue



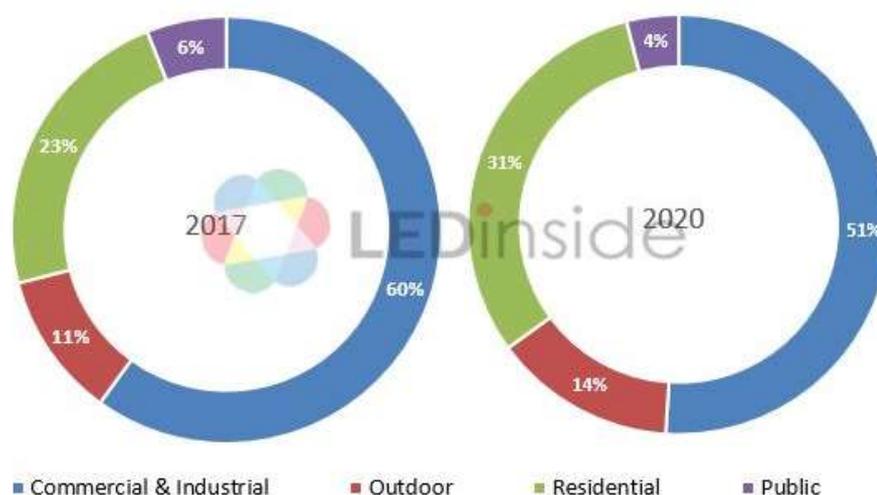
Source: LEDinside · 2018/2

At present, the expansion of global smart lighting market is still led by infrastructure construction in the public places, of which the biggest market is the construction of "smart city". Thanks to the support of governments and major cities worldwide who are making every effort to promote smart city projects, the construction of smart city is expected to accelerate further in the future. Therefore, the development of smart lighting in the public domain will also be given priority. Initiated by governments, smart lighting has been increasingly accepted in the society. Smart lighting is energy saving, convenient, and easy to control; the rise of Internet of Things also makes it necessary for companies to introduce networked lighting. Therefore, smart lighting applications grow fast in industrial and commercial lighting areas. LEDinside's data show that industrial and commercial lighting accounted for 60% of the global smart lighting market in 2017. Moreover, digitization will bring new business models and value enhancement to these two fields. According to the latest report from LEDinside, the global industrial lighting market scale comes

to USD 3.934 billion in 2018. LEDinside indicates that the combination of smart control and industrial lighting will change the way of utilization in industrial lighting area, largely enhancing the added value of lighting products and providing momentum to the industry's long-term growth.

In contrast, the number of households that actually adopt smart lighting is still limited, but with the improvement of living standards, announcement of related policies (such as smart city) and promotion of manufacturers, the application of smart lighting at homes will gradually expand. According to LEDinside, residential lighting accounted for 23% of the global smart lighting market in 2017, and the share will rise to 31% in 2020. LEDinside believes that smart home and smart lighting will promote and facilitate each other, so smart lighting will grow at the fastest pace in residential fields in the next few years.

Chart 45 Global Smart Lighting Market Share – By Application Field



Source: LEDinside · 2018/3

In regard with other niche markets, the market outlook of LEDs used in plant lighting is quite optimistic, and the market scale will grow quickly. In 2017, global market revenue of LED in plant lighting was USD 52 million and is expected to reach USD 150 million by 2022, at a CAGR of 24%. Among plant lighting applications, compared with other light sources, LED has obvious advantages in spectrum characteristics, lifetime and environmental protection. Due to price reduction of LED in recent years, the market acceptance has become higher, and the volume of plant factories is growing. Besides, owing to food safety issues, household plant factory is gradually emerging. Amongst the countries, horticulture lighting grow rapidly in the US and China, which is mainly promoted by the demand for plant factory construction and greenhouse lighting.

The applications of LED in projector market can be divided into two types: commercial projector market which requires the luminous flux above 1,000 lm and home projector / pico projector market which requires the luminous flux below 1,000 lm. Because the market belongs to special niche application, although the unit price is higher, its market scale isn't big. Therefore, the value in 2017 was USD 17 million and is expected to reach USD 20 million in 2022.

C. Development by products

In view of the demand for LED applications in 2017~2022, DIGITIMES Research estimates that automotive and display applications will show high growth, at CAGR of 14-15% and 9~12% respectively while the growth rate of lighting application will be below 10%. LED backlights for TVs, notebooks and monitors are expected to decline slightly. During 2017 and 2018, the decline of backlights for tablets will be higher than aforementioned IT products but are expected to slow down afterwards. Mobile applications will decline most due to the adoption of OLED panel will continue to increase, reaching 50% by 2022, which will upset the demand for LED backlights. According to LEDinside, the size of global OLED lighting panel market has reached about US\$153 million in 2017. China's OLED display industry is estimated to see production capacity expansion in 2018, substantially improving the yield rate in OLED industry and lowering the costs. OLED lighting will also have chance to improve the performance-cost ratio due to the entire market's status quo. Hence, the size of OLED lighting market is expected to reach more than 1.1 billion by 2020.

Since the market of high-brightness LED grows slightly, LED manufacturers are turning to new sources of light with high growth potentials, such as IR LED, UV LED, Mini LED and Micro LED, indicated by DIGITIMES Research. The new applications of IR LED is diversified, including popular consumer goods, biometric identification, automotive ADAS and IoT related intelligent sensing. As to UV LED market, UV-A LED is steadily growing, while UV-B and UV-C LED will grow significantly in the future for their applications in dermatology and disinfection.

According to DIGITIMES Research's analysis, the mass applications of Mini LED can be expected. In addition to Mini LED display, the backlight for display which emphasizes high contrast and regional control attributes is also adopted. Micro LED although is a popular topic in the industry, the technology for mass production is not yet solved. Thus it is difficult to forecast its market scale. Micro LED related products are expected to come to market from 2018.

D. Industry trends

LEDinside analyzed top 10 LED demand and supply market trends in 2018 as below:

◆ **Mobile Market- Mini LED Backlight Products Have the Chance to Be Introduced into Mobile Phone Backlight Application in 2018**

The recent supply of AMOLED panel is tight. Except Samsung and Apple, other Android manufacturers may face the hardship of the lacking of OLED panel. Therefore, to make the products stand out, other manufacturers will combine Mini LED with flexible substrate to achieve high curved backlight. Related products of Mini LED backlight applications are expected to be released in 2018.

◆ **TV Market- WCG and QD (Quantum Dot) are the Technology Directions to Make Differentiation for TV Manufacturers**

In response to wide color gamut (WCG) solutions, TV manufacturers emphasize HDR and have the demand for WCG at the same time, and with the approach of WCG on HDR market, the percentage of wide color gamut in 2018 will have the chance to increase. For HDR, the basic demand is about NTSC 85%, and it may become higher in the future. This will cause NTSC 85% solution's usage of B LED +R (KSF) G(Phosphor), B LED+R (Nitride) G (Phosphor) and BG LED +R(KSF) increase. On NTSC $\geq 100\%$ project, now except QDEF, Korean manufacturers have developed QD In Open Cell. Due to QD's material, it only needs blue light LED chip, and no longer requires traditional phosphor powders. Therefore, in the future, the phosphor usage volume will decrease as the QD in Open cell increases.

◆ **General Lighting Market- The Time it Takes to Make the Market Become Saturated for Potential LED Lamp Installation is 10 Years.**

The potential LED lighting installation around the world is about 60-70 billion. The period of growth for LED lighting industry is in 2012 to 2016. LED lighting industry has finished the installation of 11.872 billion LED lighting products all over the world. Similar plans of global lighting challenge receive wide responses from lighting industries. It is expected that before 2020, there will be 6-7 billion LED lighting being used per year. It will realize the goal of reducing energy consumption and greenhouse gas emissions.

◆ **Architectural and Landscape Lighting Market- Evening Economy Boosts Architectural and Landscape Lighting Market**

Viewing from the demand, all cities put a lot of efforts in increasing the ranks and constructing travel attractions. Especially in China that every cities spend lots of money creating evening economy. With the combination of dynamic image control technology with LED screen, they create cultural experience by the form of light and music shows at riverside, coast, lakeside and city square. There are 300 prefectural-level cities and 2,800 county-level cities in China. If only 5% of the cities promote lighting engineering per year, it can bring the demand of architectural and landscape lighting market worth billions of US dollars.

◆ **Automotive Lighting- Fast-Growing China Represents the Largest Automotive Market Opportunities Worldwide**

China is currently the largest automobile market in the world, and the total passenger vehicle sales in the country for 2018 are forecast to grow by 7.14% annually to reach 25.5 million cars. China's demand growth is supported by several factors. First, the country's second and third-tier cities are seeing new economic developments and growths. Second, the expansion and upgrading of the country's transportation infrastructure encourage vehicle growth as well as the replacement of traditional two- and

three-wheelers by four-wheeled automobiles. The vehicle per capita in China has gone up from a low of 100 and is on a gradual path to catch up to the per capita figures of the developed countries (ranging from 500 to 800). The third major factor that drives the Chinese car market is the various government policies that support the development of domestic vehicle brands.

◆ **Automotive Market- LED Usage Volume for Automotive Panels is On the Rise**

Automobile design is adopting newer display technologies, and automotive panels are being used in dashboards, CIDs and entertainment displays. The configuration of the automotive panels on dashboards have transitioned from 3.5- to 10-inch panels (stitching type) to one integrated display sized 10.3 to 12.5 inches. The size and format of panels for CIDs have also changed. Initially, a CID consists of a 6- to 9-inch panels showing basic controls. Now, a CID can be a large panel sized 10.1 to 17 inches and designed for showing the operational details of the entire vehicle. Similarly, the development entertainment displays have transitioned from 7- to 9-inch panels for embedded displays to larger panels sized 10.3 to 11.4 inches for non-embedded displays. In addition to the increase in size, some basic specification requirements that automotive panels must have include wide viewing angle and high brightness. Other design-related needs that have also emerged such as curved and irregularly shaped panel structures. Because of the above-mentioned trends, the total global LED market value in automotive panels is projected to increase sharply from USD 67 million in 2016 to USD 173 million in 2021, with the CAGR during this period at 21%.

◆ **Digital Display Market- Mini LED Becomes the Focus among Digital Display and Challenges Medium-Density Retina Display Technology**

Although Micro LED is popular, the challenges that mass transfer bring are hard to overcome in the short term. It takes time to industrialize. For digital display industry, high-density retina display technology is the threat to current market, however, it brings new opportunity with the market development through display technology and brand channel as well. Therefore, Mini LED, the technology between fine pitch LED and Micro LED, becomes popular among digital display companies. With COB packaging, it is possible to make the pitch below P0.7 for digital display.

◆ **Infrared LED Market- IR LED Market Value Will Grow at CAGR of 15% in 2016-2021**

Because some Chinese manufacturers take part in the infrared LED chip market, some mainstream Infrared LED prices decrease rapidly. However, with the release of various new applications, such as industrial surveillance security, virtual reality, and facial and iris recognition, infrared LED market value continues to grow. LEDinside expects that infrared LED market (exclude optical sensors market) in 2017 is about USD 441 million. In 2021, it is expected to increase at USD 699 million.

◆ **UV-C LED Price Driver Market Scale**

Prices of UV-C LEDs can vary widely on account of wavelength specification, product quality, lifespan and order volume. Besides great differences in quotation, this year's UV-C LED market is also influenced by the introduction of new materials and more efficient chip manufacturing technologies. By adopting flip-chip and vertical-chip solutions, UV-C LEDs can work with high-power drivers to achieve greater levels of brightness. Unlike UV-A LEDs that target the curing application, UV-C LEDs are targeting the market for consumer lighting products. UV-C LED suppliers such as LG Innotek, Seoul Viosys and Bioraytron are currently expanding the consumer market with affordable products. As these suppliers price their offerings aggressively, they also make it difficult for new market entrants to develop and promote their UV-C products.

◆ **LED Chip Market Reboot the Expansion Plan**

There is a new peak of expansion for LED chip industry in 2017. Because the current prices of LED chip are low, also, the tier-one LED chip manufacturers in China have the advantages in cost, the orders focus on Chinese LED manufacturers. Under the condition of full capacity, the tier-one LED chip manufacturers in China start to reboot the expansion plan. LEDinside predicts that the number of new equipment in 2017 will reach 401 sets (Equiv. K465i). It becomes the peak period for expanding capacity in recent years.

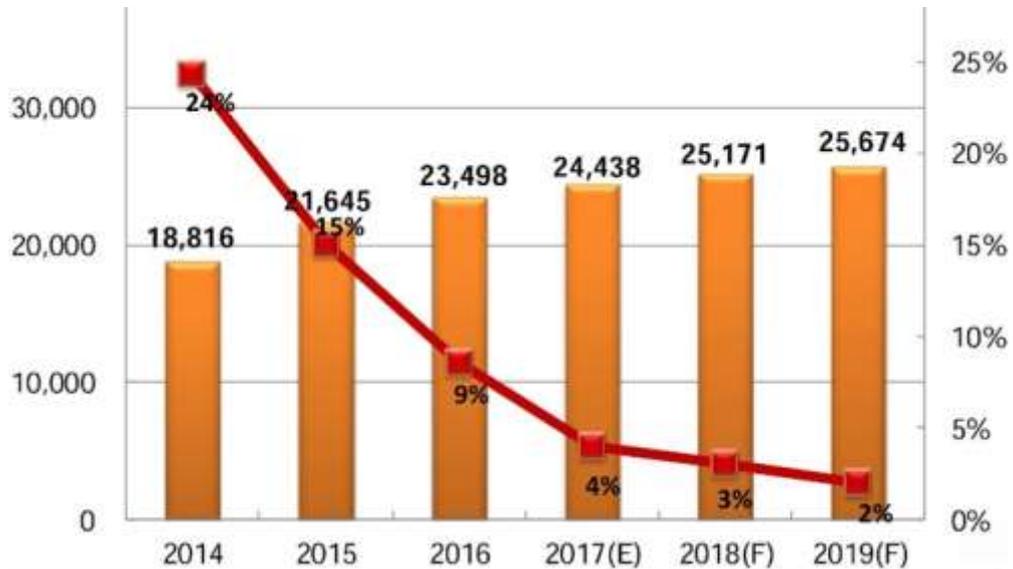
(3.2) Status and development of LED Industry in Taiwan and China

Taiwan's lighting industry has a long history. Lots of the manufacturers entered into LED lighting industry, many of which are SMEs, and most of them were transferring their product line from traditional lighting to LED lighting or expanding from LED components and parts to LED lighting applications. Overall, the industrial chain of Taiwan LED industry is complete from LED components, including epitaxy, chip, package, module, to critical parts such as control IC, driver circuit, power supply unit, radiator, second optical lens, and to the design and manufacturing of lamps.

According to Photonics Industry & Technology Development Association's data, the market value of Taiwan LED lighting industry of 2016 was around NTD 23.498 billion growing 9% YoY and the market value of 2017 are expected to reach NTD 24.438 billion growing 4% YoY. The market value of LED lighting industry continues to rise as Taiwan LED component companies successfully built collaboration relationships with the U.S. and European brand makers and distributors.

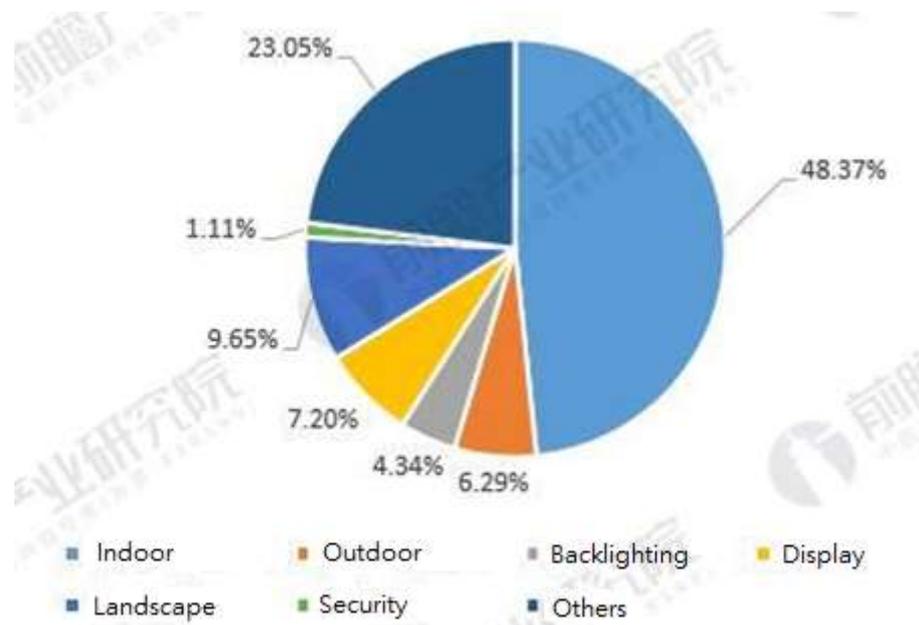
Chart 46 Taiwan LED Lighting Market Value and Growth Rate

Source: PIDA , 2017/7



According to “China LED Industry Competition Analysis And Enterprises Competitive Strategy Report in 2018~2023” published by Qianzhan Business Information, indoor lighting represents the largest share of China LED market value, accounting for 48.37%, while landscape lighting and display accounts for 9.65% and 7.20% respectively.

Chart 47 The Composition of China LED Market Value by Product



Source: Qianzhan Business Information , 2018/4

PRC National Development and Reform Commission published “The 13th Five-Year Plan for LED industry” on July 28th, 2017, revealing the goal and implement path for the development of China’s LED industry by 2020. The Plan indicates that, by 2020, the entire market value of LED lighting industry will achieve RMB 1trillion, the market value of LED functional lighting will achieve RMB 540 billion, and LED lighting will account for 70% of the revenue of lighting industry. Meanwhile, at least one LED lighting enterprise with sales revenue exceeding RMB 10 billion will be formed, 1-2 internationally well-known brands will be nurtured, and around 10 nationally well-known brands will come up. If the 12th Five-Year Plan had solved the problem to make China’s LED industry big, the 13th Five-Year Plan aims to make it strong.

Following the investment of RMB 33.3 billion for expansion announced by San’an, China’s No.1 LED Chip manufacturer, at the end of 2017 shocking the LED industry, China’s No.2 LED chip manufacturer HC SemiTek also announced at the beginning of 2018 that it has signed an investment agreement with Yiwu Information and Optoelectronics Hi-Tech Industrial Park Management Committee to invest RMB 10.8 billion for expansion. These two manufacturers have raised the scale of investment to above RMB 10 billion, making the competition in capacity more intense. The fluctuation in market demand and supply is expected to be more violent.

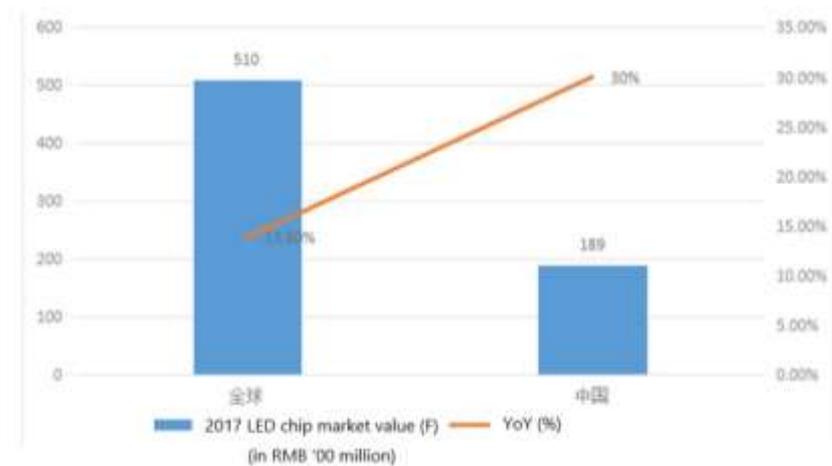
China’s LED chip manufacturer started a capacity expansion wave in 2017. With the release of new capacity and the effect of the traditional off-season, the over-supply condition is gradually observed recently at the upper stream of the industry. The manufacturers expect that 2018 is a critical moment to see if the LED industry is going to fall into the loop of price competition. The massive expansion investment plans of San’an and HC SemiTek are possibly going to further sharpening the competition, and the competition can last for 5~7 years, which is unfavorable for Taiwanese LED manufacturers.

Towards China’s LED manufacturers’ massive expansion plans, it is commonly recognized that San’an and HC SemiTek invest to obtain subsidies provided by local governments by adding new technologies. In addition to LED chips, San’an, with the support of government funds, aggressively entered into GaAs industry. HC SemiTek also include VCSEL for 3D sensing and four-element LED as key development items to grab opportunities in sensing market.

In recent years, the scale, the market value and the number of enterprises of China LED chip industry have been rising. In 2017, owing to the booming in fine pitch LED market and the expansion by LED chip packaging industry, there is still a shortage in LED chip supply, resulting in almost 100% utilization rate of China LED chip manufacturers’ capacity. According to the statistics by OFweek.com, China’s LED chip capacity is continuously expanding. The scale of LED chip market of 2017 was about RMB 18.9 billion, and the growth rate is high as 30%, accounting for 54% of the capacity worldwide.

GGII estimates that in 2018 the number of MOCVD equipments in China will continue to increase by 288 units to 2,200 units. As China's LED chip key manufacturers expanding one after another, there will be over-supply in LED chips, leading to price-cutting and slowdown in market value growth. The market value for China LED chips of 2018 is anticipated to reach RMB 22.5 billion, growing 19.7% YoY. The top three enterprises will account for 47.8% of the entire capacity.

Chart 48 Global and China LED Chip Market Value of 2017

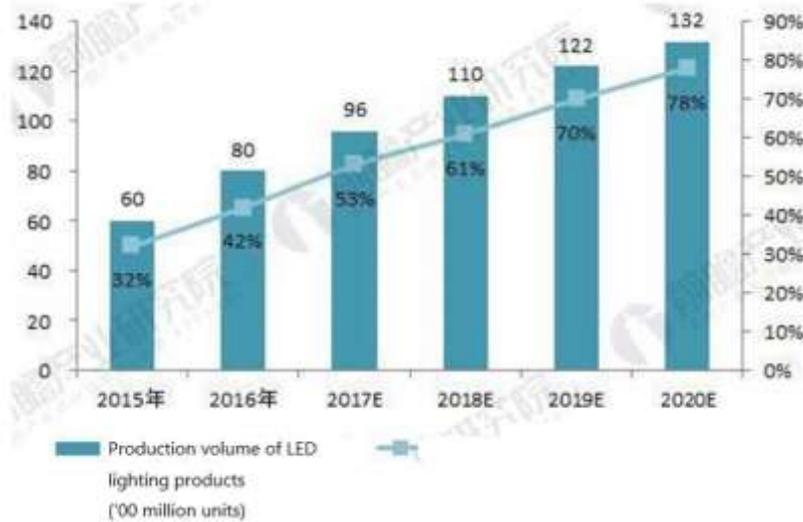


Source: OFweek.com , 2018/1

As to the LED lighting market, China LED lighting enterprises enjoy the cost advantage in comparison with developed countries, and have more complete LED industry chain in comparison other developing countries. Thus, China has become the manufacturing base for global LED lighting products. GGII's data indicates that, the market value of China LED lighting industry was RMB 296.9 billion, growing 21% YoY and accounting for 55.40% of global market value. Out of which, the export value exceeded USD 20 billion with YoY growth rate above 37%. Considering the penetration rate of global LED lighting may double and large international manufacturers giving up general lighting business, the scale of China LED lighting industry will keep rising. GGII estimates that the growth rate may maintain around 15% in the following years for China LED lighting market scale, reaching RMB 461.4 billion by 2020, accounting for 61% of the global market.

In the domestic market, the LED lighting products in China are expected to reach 9.6 billion units in 2017 with penetration rate of 50%.

Chart 49 2015~2020 China LED Lighting Products Volume and Penetration Rate



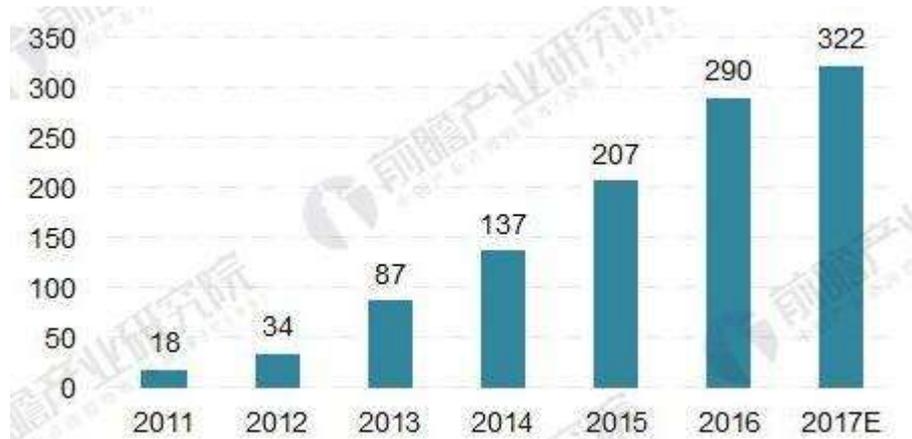
Source: OFweek.com , 2018/4

The fast growth in LED lighting market is not only owing to the sharp rise in the penetration rate, but also to the new niche markets such as automotive lighting, smart lighting and plant lighting. As to LED smart lighting, GGII expects the market value of smart lighting of 2018 will reach RMB 38.7 billion, growing 46.6% YoY. In these two years, both domestic and international manufacturers have been working harder on smart lighting.

Another market worth of attention is outdoor lighting. GGII's data reveals that the outdoor lighting market value of China of 2017 reached RMB 86.7 billion. Out of which, LED outdoor functional lighting market reached RMB 14.2 billion, growing 27% YoY and LED landscape lighting market reached RMB 72.5 billion, growing 34.8% YoY. It shows a fast growing trend in LED outdoor lighting.

Street lighting, as the majority of lighting in cities, have grown fast accompanying with the speedy development of construction of cities in China. The Chinese government started the LED demonstration project called "Ten Thousand Ten Cities" in 2008 to install 6 million LED street lights in 21 cities by 2011. During 2009~2011, 1 million, 2 million, and 3 million units had been installed for each year, and 5 million more in 2012. After the project began, a dozen of cities including Beijing, Dongguan, Xiamen and Shijiazhuang had invested in LED street light installation or transforming. By the implementation of "Ten Thousand Ten Cities" policy, the LED street lighting market of China will grow steadily. In recent years, the penetration rate of China LED street lighting market keeps rising. The market value of 2016 was around RMB 29 billion.

Chart 50 2011~2017 China LED Street Lighting Market Scale



Source: OFweek.com , 2018/3

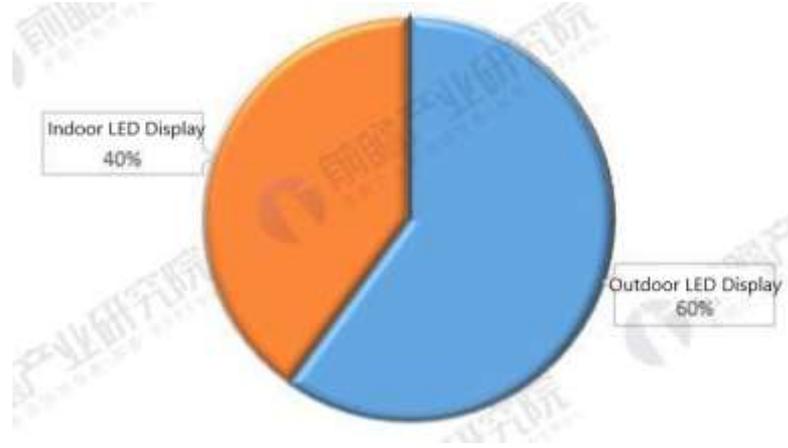
Benefiting from national LED related policies, much attention have been paid to landscape lighting in these years. The 13th Five-Year Plan focuses on the general equipment such as LED lighting products, carries out the upgrade and transformation of energy-saving equipment, implement the transformation of lighting system, encourages the integration and application of advanced lighting and energy-saving technologies, and further construct energy control centers. It also makes efforts to develop “Internet+” smart lighting, advances the construction of city intelligence system, and pushes the optimization and upgrade of lighting system.

Given this background, local governments have been facilitating the construction of city landscape lighting, expanding the cities’ lighting for night from buildings to overall city landscape. Cities’ landscape lighting is a huge market, reaching RMB 55.8 billion in 2016 and is expected to reach RMB 67.8 billion in 2017 growing 21.5% YoY, making China the largest market of landscape lighting in the world.

As the urbanization continues in 2018, the demand for outdoor lighting will increase quickly in the following years no matter in first-tier cities or in second- and third-tier ones, especially when the government has reinforced PPP related policies involving city public lighting, landscape lighting in tourist attractions, as well as smart city constructions. All these policies will benefit the rapid increase in demand for outdoor lighting.

In view of the industry arrangement, LED display industry in China has been changing gradually in recent years, foming the division of labor on spicilization within the industry. Various kinds of specialized enterprises focusing on LED display manufacturing, distribution, engineering, installation, and after-services have appeared, and the coordination, collaboration and mutual development have been observed among them. The division of labor can help the industry to be finner, larger and stronger, meaning significantly to the the healthy development of the entire industry. In terms of the application market, the market share of outdoor LED display have been rising year by year, accounting for 60% of the total sales revenue of LED display, while indoor display accouts for 40%.

Chart 51 China LED Display Market Distribution

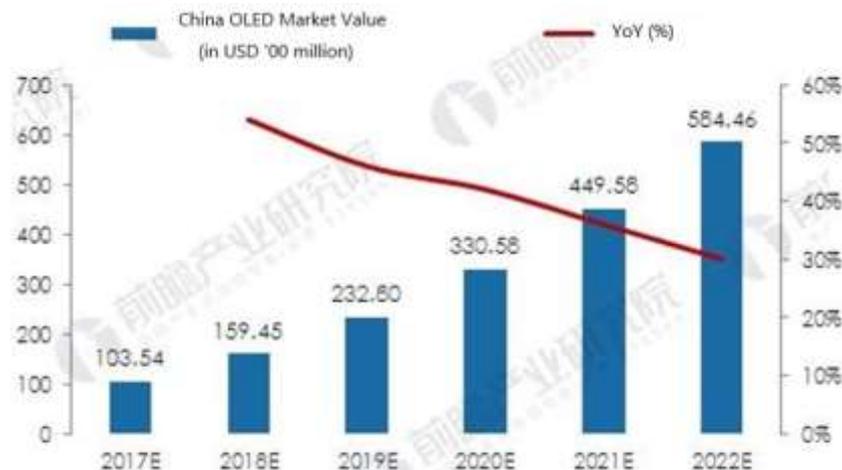


Source: Qianzhan Business Information , 2018/4

China now is also the largest market for OLED, out of which more than 45% of the IT products are related to display. More than 50% of mobile phones throughout the world are produced in China, moreover, the mass production of large-size panels will begin soon. The adoption of AMOLED on notebook, display and TV will also be increasing. In addition, as the technology matures, the yield rate of OLED will be enhancing, largely reducing the cost of production. Following that, the disadvantage of higher price of OLED can be eased, and the market demand can be released significantly.

Among the solutions to smart cars that draws market attention, OLED has been the top choice for display. According to “OLED market forecast and investment prospectus report” published by Qianzhan Business Information, by 2022, the market value of OLED will be approaching USD 60 billion, dominating the display market in the future.

Chart 52 2017~2022 China OLED Market Forecast

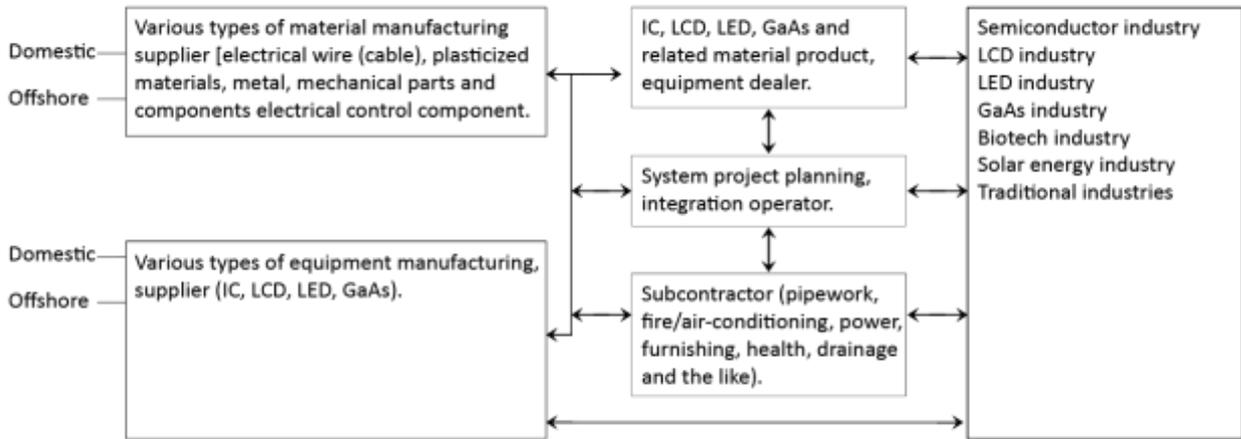


Source: Qianzhan Business Information , 2018/4

1.2.2. The correlations of the industry's upstream, midstream and downstream

The group is of an all-encompassing supplier to the semiconductor, optoelectronics and related high-tech industries, with the correlations of the industry's upstream, midstream and downstream it belongs to as depicted in the below diagram:

The upstream, midstream and downstream



1.2.3. The products' various development trends

(1) Sales and service of high-tech equipment and materials

Below describes separately on optimal mask fabrication, LCD, color filter processing, IC processing, IC packaging process, LED process and others

(1.1) Optical mask processing

Optical processing holds the critical key in bracing for smaller diameter, such as nanometer grade in IC processing. With optical mask being infinitely important in IC processing, major IC foundries and optical mask producers are sparing no efforts in optical mask equipment/material investment. In care of the foresaid trend, the group vies to brace for the development focus of higher quality on the products it sells.

A. Firmware equipment: MTC company's high-end and low-end optical mask's light blocking coating and rinsing equipment have been adopted by critical customers.

A. KBTEM-OMO offers pattern generator, inspection and repair machine for photo masks for medium and low level processing.

B. The material aspect: KMG company's pertinent processing chemical solution has been applied in matured optical mask product processing, and its high-end products can also respond to the future's even smaller wire diameter and higher quality demands.

(1.2) TFT-LCD and color filter processing

According to the report from the research institute Sigmaintell, the shipping quantity of television panels has reached 262 million pieces in 2017, and it grew 1.6% compared to 2016; the square measure was 138 million square meters, it grew 6.1% compared to 2016. The shipping quantity of television panels produced by panel companies in China has reached 94.7 million, and it shared 36.1% of global quantity of television panel. China overtook Korea ranking first. In 2018, most of new adding production lines are in China, and shipping quantity will be expected to reach more than 100 million, which will share almost 40% of the global shipping quantity of television panel. With the mass production of 10.5 lines, Chinese panel companies are entering the

market of panels larger than 65 inches. Sigmaintell predicted that global square measure of production of LCD panels will have a great growth of 10.5%. The growth of production capacity is mainly from 8.6 line and 10.5 line, which consequently increase the production capacity of 50-inch, 65-inch, and 75-inch panels.

(1.3) Integrated circuitry component processing

On semiconductor wafer defect sorting equipment market, with major semiconductor producers such as TSMC, Intel, Samsung plants and so forth entering into the under 20nm generation, local equipment producer Han Microtech and major foreign producers KLA Tencor, Applied Materials have successively launched semiconductor wafer sorting equipment focusing on measuring visual wafer defect, and the group's proprietary represented QCEPT Technologies model ChemetriQ5000 boasts as the only non-optical visual wafer defect sorting machine in the semiconductor sector worldwide, and also with global 12" wafer output continuing to rise, and with cooper processing and low-k material application continuing to rise, meanwhile the introduction of silicon-on-insulator (SIO) wafers, strained silicon wafers, high-k materials have all become the critical development trend.

A majority of the products the group sells are able to address the foresaid advanced processing needs: Hitachi Kokusai's 12" vertical diffuser burner encompassing BCD processing equipment that can be used in oxidant condensation, nitrification, high-k thin membrane to offer a high coverage ratio and even membrane coating and so forth, offering semiconductor or optical plants with special gas, as well as Jordan Valley's rotating and refractive X-ray thin membrane measurement solution proposal, which can all address the clients' needs by timely providing the optical services.

(1.4) IC packaging processing

In response to the electronic products' lightweight, thin, short and compact trends, the domain of IC product dimensions is also sought by all producers, and to service IC rear processing packaging clients, the group has intercepted with advanced wafer and coating packaging technology by introducing wafer grade ball mounter by Athlete FA Corp of a Wafer Level CSP Ball Mounter In addition, we provide comprehensive inspection services to customers in BGA, flip-chip, wafer bumping and the latest 2.5d/3d ic, and info, fan-out wafer-level packaging fields.

(1.5) LED processing

Since the development of the LED industry purchasing EPI-wafers from Japan for rear processing and packaging, currently a number of local producers are capable of mass producing EPI-wafers. Also on product aspect, local producers also command the production technology on HEMT, laser diodes, bluelight LEDs and so forth.

The product the group sells encompass not only gallium provided by 5N Plus Corp, and it also offers CCT Corp's GaAs, InP and related 3-5 groups, Cemet ZnO Substrate 2-6 groups substrates, as well as EMF Corp's MOCVD processing oriented various organic metal raw materials. In the meantime, it also caters to LED upstream sapphire crystal plants and chipset plants or midstream silica plants by offering the clients with pertinent processing production key raw materials and servers, i.e. sapphire long crystal burner raw material Al₂O₃, X-ray orientation instrument (HRXRD), buffing pads, buffing slurries, green carbonate silicate ground powder (GC) and carbonate borosilicate buffing powder (B4C0 and the like.

(1.6) Solar energy industry

On solar energy single multi-crystal production chipsets, with the cost dropping to a certain level at present, with little room for price reduction, other wearable material costs continue to follow high efficiency and a reduction on production cost; what can be done in the future is on server purchasing and cost amortization, which will ultimately affect the producers' end product production and cost competitiveness. Moreover, with Taiwanese silver slurry plants accounting for a foothold on the front and back silver slurry processing, there is a great demand for voluminous, stable quality silver slurry powder producers, and the group has secured the representation right from major silver powder producers to be able to offer a stable supply volume, and that as silver powder is not only used in the PV industry, and it can even cross over to the LCD and passive components industries.

(1.7) Other testing and laboratory use equipment

In recent years, Taiwan's IC industry, FPD industry, LED industry have achieved a certain scale, and comparatively equipment, material companies supporting the foresaid industry processing have mushroomed in their inception. To satisfy small medium high-tech firms and research laboratories' needs, the group has also launched the latest Lasertec new product of a hybrid laser microscope.

(2) Automatic supplying system

(2.1) Gas automated supply system

With significant room to grow on the semiconductor, optoelectronics, biotech and other high-tech industries at present, whether it is in Taiwan, Mainland China or Singapore, it also triggers other relevant industries to buoy. Particularly so is how the gas automated supply system plays an infinitely important role in a plant facility, and it is also one of the indispensable, critical facility in a high-tech plant.

No change is expected in the gas automated supply system, whether it be in the implementing technology, project design or gas supply equipment and so forth at present or in the future, yet in light of the low price competition, new competitors, local or foreign, continue to join in the race. Through many years of efforts, the group has become one of the primary industry suppliers, in terms of the operating scaled and technical sophistication. In the future, the group vies to put its competitive focus on optimizing the cost control model, in a bid to bring the clients with high quality, high efficiency total solution proposals.

(2.2) Chemical automated supply system

With the chemical automated supply system being a requisite chemical conveying supply facility in high-tech industry plant launching, where not only the existing IC, FPD, LED industries' production expansions have put an increase on plant launching project demands, and with other peripheral supporting companies that although small in scale but for quality demand also require installing and operating such automated supply system on production equipment and at materials factories. Focusing on the future technical aspect, unless there is innovative development on the use of chemical materials, the current system design, equipment and implementation will continue to undergo changes corresponding to the customer's processing change, and exactly for its service uniqueness, and

high technical thresholds, the saturating market will prevent potential rivals from entering into the market.

(2.3) Special gas monitoring system

The special gas monitoring system is of a necessary design in the high-tech industry's plant launching safety measures, and besides the existing IC, LCD, LED industry production expansion, which expands the monitoring system's market, other peripheral related industries are also in need of introducing the system for the safety and monitoring demands on production-related equipment or materials.

(2.4) Logistical service operation

For the lack of manpower and for professional consideration, various IC, FPD, LED plants are turning to outsourcing some of their operations to professional task-sharing service has also become a future trend. In the next few years, there are plans to begin outsourcing the facility system operations to outside task-sharing, such as the gas, chemical, pure water, E&M systems, as to the facility equipment and other aspects, there is no such necessity for task-sharing so far.

The group is currently pursuing the total chemical management (TCM), total gas management (TGM) and total water management (TWM) work, which will facilitate offering more comprehensive and all-encompassing services; as for the facility operating service for small and medium plants, currently a set of comprehensive facility operating contracts have been signed, and the group vies to actively underwrite projects by choosing the suitable customers as a breakthrough to the operation.

(2.5) Factory automated operation

A. Facility management control system (FMCS)

The system remains a critical investment in the high-tech industry in inducting the facility monitoring on plant facility into the plant launching, and for the future, besides the high-tech sector, other industries are poised to add such type of automated facility monitoring facility needs with technological progress, with which to excel the adequacy ratio on plant facility, ensuring a smooth factory production, manufacturing flow in the future, thus offering aggregated market demand, but relatively with increasing number of competing companies.

B. Computer-integrated manufacturing (CIM)

In the face of an industrial trend of smart manufacturing, it is important to draw support from ERP/CIM/MES to achieve automated, digitized and smart manufacturing, and adjust management decisions through effectively collecting and managing the rapidly changing information within manufacturing plants, to accelerate adaptation and response speeds.

Marketch International Corp. not only informatizes all website systems through its computer-integrated manufacturing operations, but also know the importance to connect different modules (ERP/CIM/MES) with one another. All the website information should "talk to one another" for M2M connection during the manufacturing process, and communicate through the networking platform, to provide customers with sophisticated services in their manufacturing process, including production management, equipment monitoring, processing improvement, energy consumption, and offer customers smart plant solutions for increased production capacity, improved yield and reduced energy consumption.

C. Automated product representation operation

The product integrates cloud technology and Web framework, and also provides a highly extendable firmware/software framework, which can be applied in specific applications of energy saving and carbon reduction, equipment status monitoring and so forth, with which to provide the client end to rapidly introduce a solution proposal, making it a future automated product development trend.

(2.6) Information communication, enterprise information and software services

At present, enterprises, when faced with future diverse and drastically variable interactive environment, often need to confront the unknown by grasping the known technology, to require utilizing the existing resources, and further need to convert a variety of data into information, or even utilize the cloud platform in analyzing large data in order to derive high quality analyses and decision reference data, which can enhance an enterprise to confront the rapid changing speed at decision making, as coordinated with the cloud and mobile equipment interacting to conduct the internal resources integration, by which to adjust the operating pace, maintain the customers' loyalty to the enterprise's products for aggregating the positive effect.

With mobile broadband innovative technology and applied services development being a focal development orientation by governmental department and in the computer information industry in 2015, the integration of logistical networks, digital streamlining and cloud technology can be used to develop innovative applications encompassing the aspects of intelligent cities, smart homes and so forth. In light of which, the group vies not only to continue culminating the telecommunication operators' system integration services, and when faced with the rush of big data and software service, we will continue to devote our efforts in "destructive innovative" by using the service orientation build on the existing business mode as the software development backbone to introduce an open-ended API management, with data science and figurative analysis as the software services core framework by developing an O2O (online-to-online) enterprise real-time competitive bidding platform, which will utilize said open-ended framework and cloud service spirit, offering even lower system launching and operating costs, offering the enterprise owners with more flexible cloud enterprise services.

The group will broach it by integrating the logistical sensor equipment and digital content management platform in conducting interior positioning, guided purchasing and browsing on business application services development, which can be applied in settings such as department stores, showrooms, museums, malls and so forth; it is anticipate to utilize precise business marketing scenario in a bid to create a win-win value cycle between the owners and the consumers. It will also offer enterprise information system integration management, consulting advisory and solution proposal related services, and also to provide the contents closer to market needs on digital content service, integrated information, communications, and mobile applications, as well as cloud service platform. While the MingStar serial products have accumulated the group's vital information assets, the company's enterprise computerized services offering enriching practical experience can also act as a critical collaboration partners to various enterprise information strategies in an

attempt to echo to the market demands, and to create greater gains and value.

(3) Total Facility Engineering Turnkey Project

(3.1) High tech/biotech and pharmaceutical plant facility planning, design, work implementation and turnkey testing

With high-tech IC, FPD, LCD and related industries confronting a slowing demand and the global economic slowdown tsunami, dragging down peripheral industries to facing the issue of a slowdown in plant expansion, these companies facing the conundrum in how best to utilize their manpower with precise efficiency have turned to integrating professional operators as a future trend.

With market competition becoming ever fierce, it not only put pressure on professional operators offering the professional service, even the customers themselves can no longer distance themselves from the turbulent change. In terms of how best to effective control the investment cost, fully grasp the plant launching and mass production engineering project and securing high quality plant launching result which will enable the customer to meet or exceed their expectations of product acceptance ratios, and successfully putting forth the first step with competitiveness once the clients complete the plant launching has become the market trend, which the group has commanded the comprehensive service capabilities. The group, with long term operation and focus, has culminated enterprise units with varied disciplines, and is currently streamlining to the change in market demand modes by speeding up the integration work among varied units embracing towards a single service window, by which to offer the customers with a brand-new package professional services, which will cut down the working interface, reduce the pairing difficulties, and in turn excelling the efficiency, and reducing the cost expenditure and plant launching time.

The group's ability to rapidly grasp the market pulses and respond as early by actively venturing into the market and also strengthening its technical sophistication and integrating working capability, together with actively expanding into the biotech and pharmaceutical plant launching operations, encompassing civil work, steel structure, interior refurbishing, E&M, clean room, gas, chemical, water systems, pharmaceutical special needs among other plant logistical systems, secondary logistics with primary turnkey professional track record has garnered the clients' recognition and confidence, preparing it to further expand the market operations in the future.

(3.2) High-tech factory equipment/server integrated server installation project (total turnkey hookup projects)

In response to high-tech plant launching's rapid timing and the demand of budget and cost control, project turnkey integration emerges as an optimal solution proposal at present.

The group is renowned for commanding a most authoritative overall planning, design capability and work implementation team in the industry. It has rendered many major high-tech plant equipment/service integration and hookup projects and general petrochemical projects. Despite there are other operators joining the domain at present, the group however still holds a respectable leading edge.

(3.3) Other industries

In response to plant expansions in the field of petrochemistry and traditional industries, the Group has engaged in developments with past experiences in the construction of technology plants. In addition to high-tech plants, we have also been involved in plant expansions of traditional industries and construction projects of public works. At present, the Company has dealt with public works and plant expansions of traditional industries, such as water purification, sewage treatment, water reclaim and purification, pumping station construction and automation, hoping to expand the business area by diversified operations.

(4)R&D and manufacturing of Customized equipment

As the processing equipment required of the local high-tech industry still relying on foreign imports, and for the lack of major local producers venturing into the industry, yet as the processing continues to evolve in generations with rapid high-tech development, foreign original equipment manufacturers will no doubt gradually release their older technology in order to focus on bracing towards new generation technology development, and the older processing equipment manufacturing or operational maintenance/repair will gradually rely on local producers. Moreover, as driven by low cost and large-scale equipment (specifically referring to the TFT-LCD industry), it further drives foreign original equipment manufacturers to seek collaboration partners in Taiwan.

The group, in care of the trend, has significantly increased its R&D budgets in recent years, particularly focusing on customized equipment by stepping up on its design, assembly and testing capability, fostering a few projects currently in progression. The group anticipated to steadfastly emerge in the market, in anticipation to entering the industry at a most competitive stance, gearing to contribute its efforts to the processing equipment industry that somewhat lags on the island.

As Mainland China's demand for customized equipment needs is yet another scenario, due to its lagging population bonus, as the rising labor wage continues to marginalize the enterprises burdens, while its urban development policy further resulting in frequent labor shortages, MIC is poised to rise riding on its customized automated equipment design and manufacturing capability, as supported by its mainland Chinese subsidiaries supporting mainland's twelfth five-year plan, to experience a dynamic development in the civil industry, with many projects currently in progression.

1.2.4Competitive status

(1)Sales and service of high-tech equipment and materials:

(1.1) Lasertec company's color filter testing and repair system

With color filter's primary rivals are V-tech, Takano, NTN and such companies, to seize next generation large size market orders, all producers are aggressively turning t lowering the cost and excelling the functions, together with the governments' localization strategy incentives, the servers' manufacturing and production lines have been shifted completely to Taiwan, and with the cost significantly reduced, it offers certain help in securing the orders.

- (1.2) MTC company's optical mask coater equipment
 With MTC's optical mask light blocking coaters facing increasing rivals in the market, MTC remains the primary supplier. On optical mask cleaners, German Hamatech, Japanese Sigama are primary rivals, while MTC relies on its fine processing experience and innovative design to gain a competitive edge on optical mask cleaners.
- (1.3) HiKE company's batch type burner equipment
 With the primary rival is Tokyo Dynamics, current TSMC N20 plant expansion has the server count exceeding the rival's, and on the next generation processing server adaptation, the group has secured rather respectable result collaborating with TSMC R&D department; also on memory market, with Hua Ya and Mei Kuang further collaborating, it is expected to gain further growth.
- (1.4) Corning Tropol company's testing server
 It accounts for around an 80% market share in the precision processing industry, around a 60% market share in the wafer industry, with primary rival being FRT, but Corning Tropol continues to reign in technology.
- (1.5) Bruker-JV company's testing server
 It accounts for over 40% of the market share in Taiwan and Mainland China, with around 100 servers installed, and when competing with foreign suppliers, although varied in technology, it continues to command certain competitiveness for the pricing advantage.
- (1.6) Formosa company's positive charged material
 With fierce competitiveness on positive charged materials in Mainland China, there are in excess of 15 lithium producers, all taking to the price fight, while the group, as a non-sole representation, only occupies less than 10% of the market in Mainland China, and is positioned at a middle-lower level.
- (1.7) Cobot company's microelectronic material
 With the main competitor being Mainland China's An Ji Microelectronics, and with state project capital backing, CMP is poised to cause certain threat to the microelectronics material Cobot supplies on the low-end domain.
- (1.8) Dog-A company's OLED aging equipment
 It mainly pertains to supply Apple processing plants with original certified equipment for Apple producers and processors, and currently Dong-A caters to Apple processing plants with sale and after-sale service projects.
- (2) Automatic Supplying system
- (2.1) Gas automated supply system
 With the gas automated supply systems being a rather matured industry in Taiwan, thus the requisite competitive edge rests more than on a stable quality, low cost remains a major concern.
 The group has successfully developed with gas material vendors a modularized panel to command a competitive edge in pricing and production speed; in product development aspect, it is able to offer customized product catering to the client's needs; in onsite maintenance/repair aspect, the reasoned software/firmware engineers are able to provide speedy, real-time services.
- (2.2) Chemical automated supply system
 MIC created its own brand in 2000, and since then, the whole chemical automated supply system has been copied to semiconductor industry and optoelectronic industry. From 2005, MIC took advantage of this chemical

automated supply system to complete the establishment of several 300mm fabs with systems engineering, ranked one of the top brands. The group has its own brand so that the price is more competitive, and services quality is improved. As a result, we have not only won high reputation from our customers, but also accounted for high market share in newly-established high-technology market.

(2.3) Special gas monitoring system

For a decrease of manpower and for professional consideration, outsourcing some of the operations is an existing situation in Europe, the U.S. and Japan. In Taiwan, currently only TCM (Total Chemical Management) and TGM (Total Gas Management) & Total Water Management (TWM) in facility system would do outsourcing to provide equipment maintenance, replacement of chemical and gas supply materials, monitoring and control system, etc. Main providers of technical services are certainly the original equipment suppliers, but still no independent and professional “technical services providers” exist.

The group has taken assignments of operations in facility system for more than 20 years, and the works included total chemical management (TCM), total gas management (TGM) and total water management (TWM). We offer more comprehensive and all-encompassing services. As a well-operated company, employee promotion, annual adjustment in salary and good welfares are all ensured. Accordingly, our employees show great loyalty and high efficiency in working, and are also recommended by our customers word of mouth

(2.4) Factory automated operation

A. Special gas and facility management control system (GMS & FMCS)

A. This kind of service is heading towards comprehensive and integrated service, main customers of which are IC and LCD plants in Taiwan and China. They tend to seek for cooperation with stable and all-encompassing companies, like Mitec, where skilled personnel and technical support sufficient. In this way, system-integrated competitors with relatively less capital, workforce and technique can hardly enter the market, which makes the threshold higher, and by contrast, it is more difficult to compete.

B. Computer-integrated manufacturing (CIM)

B. Taiwan's manufacturer must pay attention to the transparency of production in the future, to immediately adjust the production with product traceability, and respond to customer needs for additional business value. "Lean production", which presents an approach that integrates management with technology, is not likely to succeed on the first try. Enterprises should identify their key technologies based on industrial characteristics when turning to Industry 4.0. The difference between Industry 4.0 and traditional industries lies not only in the degree of automation and informatization, but in the use of cyber-physical system (CPS), big data and other technologies to achieve smart factory. Therefore, the core technologies of Industry 4.0 are IoT (for collection of all-round information), big data (for analysis and forecasting), intelligent robot, and cyber-physical system, which will be integrated by Marketech International Corp. in terms of its computer-integrated manufacturing to make productions more responsive.

C. Automated product representation operation

The group provides customers with purpose-specific automated products and customized services which feature fast-integrating advantages and short establishment period. Meanwhile, every system can be inter-compatible and integrated, breaking the traditional frame. Hence, a huge flexibility and agility of expansion can be supplied to customers to help them completely understand the whole picture of developing information strategy planning. Unlike general automated products with multi functions on the market, great performance and results can be presented immediately under this operation, which makes our products more competitive and valuable.

D. Prognostic and Health Management

This management system can reduce product defects and increase the utilization of facilities, and it has become a trend. However, as the strength of manufacturing industry in Taiwan, semiconductor and optoelectronic industries have no sound solutions to improve defects and utilization. As a result, based on the expertise in system integration for more than twenty years, the Company cooperated with a domestic professional corporation, Industrial Technology Research Center, to establish Prognostic and Health Management using big data analysis. The system was first developed by Taiwanese, providing a sound solution from in-time monitoring of the status of equipment to predicting breakdown and management of the remaining service life. In the meantime, it can be perfectly integrated with parts retailers to optimize products maintenance, so the products are highly competitive.

(2.5) Information communication, enterprise information and software services

Telecom companies have paid close attention to integration of communication technology in recent years. The providers of associated solutions have expanded from telecom suppliers, like Ericsson, NSN and ALU to top information suppliers, such as HP, Oracle and IBM. Most of these international companies can only provide deliverables of their own products in Taiwan. Our group plays a role in cross-brand integrating, offering localized and tailored products, and long-term maintenance, etc. At present, large-scale companies providing relevant integrated services in Taiwan are International Integrated Systems, Inc., Stark Technology Inc., SYSTEX, and so on. These suppliers have devoted themselves to the telecom market, so they have respective scope of business and market share. However, for the layout of new 4G telecom companies, some brand new markets can still be developed. Enterprise Resource Planning (ERP) and business exploration software are still our group's focus.

(3) Total Facility Engineering Turnkey Project

Although there are many world-class companies for high technology integration system business, their focuses are on design or engineering construction monitoring for initial factory arrangement or clean room engineering. However, high technology has become more and more mature, and the cost of factory building is gradually lower so that the competition space of these world class companies are oppressed automatically. Furthermore, the complexity and the profession of integrated system business compel those world class vendors to focus only on design, construction monitoring and special high-level clean room items for high unit prices initial at the early

stage of factory arrangement. This allows the Group to fold an extreme commercial opportunity and competitive advantages.

From equipment expansion integration supply systems of large IC and LCD fabs to project planning, design, construction and test, a different competition field is differentiated from the companies mentioned previously, which only pays attention to design and construction monitoring of initial factory arrangement. Additionally, for special factory building requirement of middle and small factories or foreign customers, the barrier for foreign vendors to enter such field is always difficult due to cost and localized services after sales. This situation allows the Group to become one of the few professional vendors that can get across such a threshold in the industry.

To maintain competitive advantages and reduce cost, high technology industries have shifted low-level products to China, which even makes market competition expanded from Taiwan to China and Southeast Asia. Accordingly, the Group has developed and deployed in such a large Chinese market with a great result.

As the demand for expansion of electronic industry market has been polarized, apart from satisfying the customers of electronic market currently, we are engaged in development of biotechnology and pharmaceutical related business in order to meet the needs of customers with various kinds.

(4) R&D and manufacturing of Customized equipment

The suppliers of TFT-LCD processing equipment currently are from overseas, mainly from Japan, the U.S. and German. For instance, CVD equipment is primarily supplied by American AMAT and Japanese TEL. Relevant processing equipment is produced by OEM in Taiwan, such as AOI equipment, CF repairing and inspection equipment and Laser repairing equipment. In addition, for system of automated packaging of food, as the drinks market is large, the demand for automated facilities is also high. The subsidiary of the Group in China highlights customers' needs, and is an expert in the integration of automated facilities at the later stage of food production. It not only caters to customers' needs to design, produce, test and install on its own, but also provides annual components overhaul and comprehensive services.

1.3 Technology and R&D status

1.3.1. The operating business's technical level and R&D

The group, at its initial inception, primarily caters to TSMC, UMC and related IC manufacturing companies, and through the close-knit cooperation with globally renowned semiconductor and electronic materials plants, it has introduced various high-tech products when Taiwan's semiconductor industry is at a budding stage, and as it has also utilize the opportunity of collaborating with globally renowned producers to steadfastly introduce the technology to laid a sound foundation on the group's automated supply system and integrated system professional know-how.

In the aspect of gas automated system and integration projects, the group commands relevant professional design personnel in semiconductor, mechanical automated control and chemical engineering and related domains, and also relies on equipment distributor's orientation training and pertinent technology outsourced orientation training to absorb local and foreign peers' technology, and also work through the interactive exchange with key customers and local vendors in fully discerning the producers and users' needs, to develop on its own the international SEMI certified highly clean special gas supply system

equipment, technology and know-how. In recent years, the group's major customers in semiconductor foundries include TSMC, China Semiconductors, Singapore's SSMC, Philips among other companies, and in optoelectronics plants of Optronics, Shu Ming, Ding Yuan, Lian Ya among other plants. In the aspect of chemical supply systems, it has in 1991 first built MXIC FABI, with then technology originated from U.S. System Chemistry Inc. supplying the servers, and the company charged with implementing the pipework project, and also installing the testing equipment servers, and the U.S. original manufacturer has assisted in completing relevant projects, which sets off a foundation of the company's chemical supply system engineering technology. Upon completing MXIC FABI, it successively undertakes projects from HMC, TSMC FABII, Winbond FAB II, Mosel FAB II, while System Chemistry Inc. has progressed from initially assisting to complete the projects to only supplying the servers, while the company has completed all system installation and tuning by itself. With experience accumulated over time in plant launching, the company has turned to designing and assembling the servers on its own, and has from 1994 to 2000 successively underwrote TSMC, UMC, Nanya and other major plants' fabrication foundry small supply systems. With a wealth of experience accumulated through instilling these small supply systems, and also through absorbing local and foreign information and ongoing communication exchange with the clients over time, it begins in 2001 to 2005 to underwrite large-scale chemical supply system facility launching projects for Chan Mao Chimei, Rite Tek, Lian Zhong, Fei Bao, China Picture Tube 4.5 generation and 6 generation plants among other optoelectronics plants, and has also participated in MEMC plant expansion facility turnkey design project, in 2008 to 2009 it successively completes Ace More, Ba Yang, Da Shin, Wen Mao and Chun Chang optoelectronics plants' facility launching projects, and in 2010 to 2011, it has participated in TSMC FAB 12, 14, 15 plants and Chu Hwa and other plants' expansion facility turnkey projects. In 2012 to 2013, it underwrites Meade Advance, Wen Mao, Ace More expansion turnkey design projects. From 2014 to 2015, it participates in Micro Technology, CNS plant launching and related turnkey projects. In 2017, it participates in Wen Mao plants' expansion facility turnkey project, JNC turnkey project, and the first phase of water treatment plant at STSP. In 2017, joined TSMC's Chemical supply system in Nanjing

The group has, in recent years, actively delved into customized equipment R&D and technical development, particularly focusing on stepping up customized equipment design, assembly and testing capability, with currently developed projects include the TFT LCD industry's computer-integrated manufacturing (CIM), 8G panel conveyor, dense packer (panel packer), and 8G checker firmware/software, as well as solar energy battery cell module segment equipment, image screening equipment and solar energy battery cell laser graphic device and the like, and it has further strived to embrace the IT, biotech, medicine, food and traditional brick-and-mortar industry's logistical automation design and manufacturing development; moreover, it further participates in the Ministry of Economic Affairs led industry high tech project using the LED as the light source on LCD backlight module cores.

Thanks to the groups' efforts in automated supply system and integrated system operations in more than two decades, it enables the group technical capability and project executive capability to garner widespread customer recognition, and when envisioning the local two trillion dual star industry development technology, and with customized processing equipment market becoming ever prevalent, the group vies to continue venturing into the customized equipment

R&D domain, and to bridging with global major producers, in anticipation to expand the technical gap with rivals and also strengthen the foundation for a sustainable growth.

1.3.2. R&D personnel and their education/exposure

Unit: persons; %

Year Education	2016		2017		2018 up to March 31	
	Personnel	Ratio (%)	Personnel	Ratio (%)	Personnel	Ratio (%)
Doctoral	5	10.00	3	6.00%	2	3.92%
Master	31	62.00	35	70.00%	35	68.63%
B.A.	11	22.00	9	18.00%	11	21.57%
College	3	6.00	3	6.00%	3	5.88%
Total	50	100.00	50	100%	51	100.00%
Average seniority	4.23		3.62		3.46	

1.3.3. The injected R&D expenditure in the most recent year and up to the annual report publication date

Unit: NTD per thousand

Year	2017	2018 up to March 31
Research and development expenses (A)	184,082	39,485
Operating income (B)	20,211,994	5,549,048
Ratio (A)/(B) (%)	0.91	0.71

Note: The figures are disclosed based on the 2017 CPA-audited consolidated financial statements and the 2018 Q1 CPA-reviewed consolidated financial statements.

1.3.4. Successfully developed technology or products

The group research and development team commands high-tech manufacturing, automated control, laser, optoelectronics, software, precise machinery technology integration capability, and has had rather excellent results in developing high-tech system equipment, with some of the critical R&D practical performances as enlisted below:

Year	R&D track record	Application domain
2000	Color filter automated production line software	Thin membrane liquid crystal display (TFT-LCD)
2001	Thin membrane liquid crystal display substrate automated handling system	Thin membrane liquid crystal display (TFT-LCD)
2002	MMIS (12" wafer defect micro observation equipment)	12" wafer production check
2003	CD, DVD disk offline bonding equipment	CD, DVD disk industry
2004	TFT 5.5G inspection equipment E&M firmware/software	TFT-LCD display
	TFT 5.5G review inspector	TFT-LCD
	TFT6G inspection equipment E&M firmware/software	TFT-LCD

	TFT6G panel conveyor	TFT-LCD
	Chip IC pick and place equipment	IC sealing/packaging
	CIM (computer-integrated manufacturing)	TFT-LCD
	Panel dense packer	TFT-LCD
2005	Image screening technology	TFT-LCD
	Sixth generation color filter tray	Color filter
	High definition A/V processing chipset	Digital A/V equipment
2006	TFT 8G panel conveyor	TFTLCD
	TFT 7.5G mending server's E&M software/firmware	TFT-LCD
	Etching equipment software/firmware	LED industry
2007	Laser etching machine	Passive components industry
	TFT burn checker	TFT-LCD
2008	8 th generation pneumatic conveyor equipment	TFT-LCD
	Panel edge fracture checker	TFT-LCD
	Crystal silica refractive layer continuous membrane equipment (PECVD)	Solar energy industry
	Laser tagging machine	Passive components industry, solar energy industry
	Full high definition image processing chip	Surface display industry
2009	Industrial remote control device	Industrial control industry
	LCD backlight module core precision laser processor	Surface display industry
	Solar energy battery laser graphic machine	Solar energy industry
2010	Solar energy battery cell partial mixing selective transmitting laser processor	Solar energy industry
	Solar energy electric heating system	Solar energy industry
	3D image panel automated optoelectronics checker	Surface display industry
	Sapphire substrate checker	LED industry
	Passive component loading tray checker	Passive components industry
	Laser etcher	Passive components industry, LED industry
2011	Panel industry robot handling system	Surface display industry
	Hexagonal appearance checker	Passive components industry, LED industry, IC industry
	Sapphire graphic substrate automatic optical defect inspection sorter	LED industry
	Sapphire buffed substrate automatic optical defect inspection sorter	LED industry
	Optical non-contact high-speed precision dimension checker	Touch panel industry, traditional industries
2012	ACS color automated calibration system	Surface display industry
	Graphic sapphire substrate processing equipment next generation	LED industry
	Nuclear acid extractor instrument	Biotech industry
	Wood analyzer	Traditional industry
	Panel thin line	Surface display industry
2013	Aluminum wheel die cast flow automated production line	Traditional industry

	Automated extraction spectrometer	Biotech industry
	Powder tester automated filling equipment	Biotech industry
	FPGA motion controller	General industrial and tech industries, etc.
	High-throughput coater/developer	LED industry
	Ball impregnator	IC packaging industry
	Production automated system optimization	Traditional industry
	High speed coding machine	Beverage industry
	Automated transport system	Electronics industry
	Sapphire etching machine automated loader	LED industry
2014	High-speed wrapping membrane chopper	Beverage industry
	Automated transport system	Electronics industry
	Shell loaded membrane oil-gas separation system	Petrochemical industry
	ESI automated upload/download system	Semiconductor industry
	Ice water server temperature control system	Semiconductor industry
	Special bottle rear production line	Beverage industry
	Mask automated epoxy remover	Semiconductor industry
	Fully automated material extraction screening system	Biotech industry
2015	Equipment Health Assessment and Management System	LED and semi-conductor industries
	Wafer-Level Sapphire Substrate Testing Equipment	LED Industry
2016	Wafer-Level Sapphire Substrate Testing Equipment	LED Industry
	Nanoimprint	Microelectromechanical and LED Optoelectronics Industries
	The Frame Installation Positioning and Angle Detection Experiment	3D Detection
2017	Imec Miliflex tool	LED industry (Micro LED)
	LED Wafer Thickness and Flatness Measurement Techniques	LED industry (LED Sapphire)

1.4 Long-, short-term business development plans

1.4.1. Short-term operating strategies

- (1) To expand the depth and propensity of the high-tech equipment/material sale product lines.
- (2) To integrate the electrical and mechanical engineering, facility design and facility integration implementing capability.
- (3) To enforce ISO 9001, ISO 14001 and OHSAS 18001 working standards, quality and working safety requirements, and also to strengthen the enterprise resource integration system development, with which to assist the group to operate on a systematic and standardized foundation.
- (4) To research and develop, design, manufacture customized private label equipment.
- (5) To actively expand into non-high tech industry customers.

1.4.2. Mid-term operating strategies

- (1) To actively rally for potentially dynamic industry processing equipment/material representation rights.
- (2) To accumulate high-tech industry's customer base and technology, and expand into the Asian markets.
- (3) To actively introduce relevant high-tech technology, develop the localized

assembly-related processing equipment technical capability, with which to assist localizing the original manufacturer equipment.

- (4) To integrate the initial plant and customer resources to jointly expand the Asian markets.

1.4.3. Long-term operating strategies

- (1) To excel in the high-tech industry, i.e. IC, TFT-LCD, LED, OLED, petrochemical, solar energy battery and biotech, electrical and mechanical, telecommunications, foods and related industry services, and also to expand the sale and service network in securing its footing In the Asian markets.
- (2) To continue accumulated experience on customized equipment R&D and manufacturing by jointly developing future fabrication equipment.
- (3) To continue excelling automated supply system's relevant technology and seeking higher end design development.
- (4) To develop enterprise-to-enterprise e-commerce system, bearing to become a customer end and supply end's information exchange hub.

2. Market and Sales Overview

2.1 Market analysis

2.1.1. Key products (services) sale (supply) areas

With the group's sale or service areas in the most recent two years catering mainly to the Taiwanese and Mainland Chinese markets, the group, in a bid to expand its operating performance and stepping up its customer service and also securing the timeliness, has since launched service offices in Singapore, Vietnam, Malaysia, Myanmar, Korea, Shanghai, Wushi and so forth, which will facilitate offering high tech manufacturers in these areas with equipment or materials, offering technical support and plant automated system and related product service needs.

Unit: NTD per thousand; %

Sale or service area \ Year	2016		2017	
	Amount	Ratio (%)	Amount	Ratio (%)
Taiwan	8,759,422	46.97	8,371,819	41.42
Mainland China	5,601,629	30.03	6,452,850	31.93
Other	4,289,890	23.00	5,387,325	26.65
Total	18,650,941	100.00	20,211,994	100.00

Note: The above figures are disclosed based on the the 2016 and 2017 CPA audited consolidated financial statements. The consolidated income in above sales or service areas were classified according to the country where the customers located.

2.1.2. Market Share

(1) Sales and Service Business for High Technology Equipment

- KMG Company** Etchant, photoresist remover. Photomask makers in Taiwan are all its regular customers. The market share in Taiwan is over 50%.
- MTC Company** Photomask related equipments. Photoresist coating machine has about 80% of market share in Taiwan; cleaning machine has about 20% of market share.
- Rippy Company** Abrasive brush (Brush) CMP market: 30% .
- HiKE Company** Batch-based furnace pipe equipment has about 50% of market share in Taiwan mainly for diffusion process.
- Athlete Company** Ball mounters and ball chargers for wafer level chip scale package have about 80% of market share in Taiwan.

Cabot Company	CMP grinding liquid. Currently, the market share in China is above 90% with an absolute advantage with respect to market share in high-end field.
Corning Tropel Company	Planeness gauge. The market share is about 80% in the precision industry.
Bruker- JV Company	High resolution diffractometer. The market share is above 40% and the installation quantity has been up to about 100 machines now in Taiwan.
Formosa Company	Positive materials. The market share is below 10% in China.

(2) Automatic Supply System

(2.1) Gas Automatic Supply System

For gas supply equipment, the gas cabinet used by semiconductor fabs and photoelectric plants are all designed, soldered, assembled, tested, installed and guaranteed by the Company in our own plants. There is no difference for valve manifold box (VMB). Since the building speed and quantity for new plants are not as before, the competition for gas automatic supply system is getting more and more intense. With respect to development strategy, the Group still focuses on introducing certification of high standard and specification requested by large companies, such as TSMC and UMC. We also engage in development of LED plants, solar energy plants and research units etc. in order to increase market share of equipments and profit rate.

(2.2) Chemistry Automatic Supply System

For this system, Air-Liquid, Mitsubishi, Sumitomo, Kanto and the Group keep as competitors with each other.

The Group has a 30% to 35% of market share for business. Currently, we have our own brand both to enhance price competitiveness, and to maintain and increase market share.

(2.3) Plant Automation Business

Facility monitoring control system (FMCS): The major suppliers in Taiwan are the Company and the automation business department of MITAC. In response to drastic price competition and drastically increased raw material cost, in addition to original technical capability, the Group complies with the trend of technological development by introducing wireless technology solution to improve competitiveness and reduce cost.

(2.4) Information communication and software services

A. Information communication services

With logistics network emerging as one of the popular topics sought by the communications industry in recent years, which is of one of the 5G critical application realms, it extends the discussion on a host of application scenarios and also triggers the development of the upstream/downstream industries. With ever-evolving new equipment, applications, and standards that are poised to elevate Taiwan as one of the critical IT industry hubs, which the group naturally is actively participating in it.

Based on what the Market Intelligence & Consulting Institute of Institute for Information Industry has announced of the 2018 mobile communications industry's nine major development trends, in which it mentions that the 3GPP would complete the 5G NR NSA (4G core network + 5G access network) protocol in 2018, which is expected to

cut down the operators' initial period's enormous injection cost and risk, and which also helps to bridge the 5G large-scale authentication and commercial development to begin early in 2019. The relevant local telecommunications operators, thanks to the NB-IoT service's successive commercial transformation, and how the NB-IoT is launched on the existing network coverages, utilizing the mobile communications technology for safeguarding the data transmission security, operating on a simple communications module, is poised to significantly reduce the logistics network's equipment cost. Coupled with a low power consumption characteristic, which brings a battery power supply lasting for several years, and also with a further excelled signal amplification than the existing 4G network, which can not only covers the entire Taiwan and can also penetrate into basements, remote areas and in conduits, and which can also support more equipment accessing simultaneously, presenting various industries with infinite business opportunities and a brand-new commerce mode, making a forward breakthrough in connecting all things on the earth for a better future.

B. Business information service aspect

Besides continues to supply the group-required professional information services, the group further ventures into enterprise commerce exploration, enterprise resource systems, enterprise information infrastructure development, and related professional services.

(2.5) The equipment health/ fail pre-diagnosis and management system

The company has instilled the first-ever locally researched and developed critical equipment's health/ fail pre-diagnosis and management system catering to the semiconductor and optoelectronics industries. It is at present aggressively intercepting into the light-emitting diode (LED) industry's equipment and dry vacuum pump applications. The company vies to continue venturing into the high-tech industry's deposition, photo lithography, etching equipment or precision equipment, and related domains.

(3) Total Facility Engineering Turnkey Project

(3.1) Plant plan, design, construction and test (turn-key) for high technology/biotechnology and pharmaceutical plants.

Due to drastic demand change in high technology IC, FPD and LED etc. industries, a company desires to reduce and employ labor effectively, so that the assistance from a professional vendor with integration capability has become a trend.

Since the competition is getting more and more intense, not only professional vendors providing professional services are facing pressure, but also customers themselves should engage in solutions. It is already a trend to control investment cost effectively, and handle engineering schedules of plant building and mass production sufficiently together with high quality plant building result for the yield of products of customers to meet or exceed expectation, and for customers to initiate competitiveness smoothly after plants are built. The group has already had such comprehensive service capability.

Because of operation and concentration for long time, the Group has developed business units with different professional technologies, which, currently, comply with market demand type change, accelerate integration of different professional units, target to single service window, provide

customers with complete and new professional services, reduce work interfaces, reduce engagement difficulty, and correspondingly, improve efficiency, reduce cost expense and time to build plants.

Due fast handling of market trend and early response, the Group has invested in the market actively and enhanced technology level together with integrated construction capability, and has developed biotechnology and pharmaceutical plant building business actively, including construction, steel structure, internal installation, electro mechanics, clean room, gas, chemistry, water systems, special pharmaceutical requirement plant systems, secondary distribution etc. These turn-key professional performance wins admission and trust from customers. In the future, the market business will be further expanded.

(3.2) Total Turn Key Hook-up Project for High Technology Plant Equipment Machines

In response to fast high technology plant building and requirement of budget cost control, turn-key integration is the best solution now.

The Group has the publicly certified entire plan, design capability and construction teams in the industry. A lot of integral linking projects have been executed for a variety of large technical plant equipment machines. Although other vendors join this field now, the Group still keeps a leading advantage.

(3.3) Other Industries

In response to plant expansions in the field of petrochemistry and traditional industries, the Group has engaged in developments with past experiences in the construction of technology plants. In addition to high-tech plants, we have also been involved in plant expansions of traditional industries and construction projects of public works. At present, the Company has dealt with public works and plant expansions of traditional industries, such as water purification, sewage treatment, water reclaim and purification, pumping station construction and automation, hoping to expand the business area by diversified operations.

(4) R&D and Manufacturing of Customized Equipment

Such high technology equipments are still dominated by foreign vendors in Taiwan now. However, the Group has devoted to LED production equipments and LCD automation equipments with related customization experiences and performance, such as, manufacturing of Conveyor, LOADER/UN-LOADER, Packer and AOI system for LCD industry, and plasma etching equipment, solar energy battery module segment equipment and image detection equipment in LED industry. Additionally, for process equipments in LED industry, corresponding automation equipments, such as auto film advancing machine and so forth have been developed with respect to fineness and labor reduction. Our factories of subsidiaries in China also design what we design, make food machines, and assist in large Japanese OEM companies to produce thermal cycling system. We engage in equipment sales and installation, maintenance and process R&D with vendors all over the world in order to sell such high technology equipments to America, Japan and Korea etc.

In recent year, such technology has been promoted to traditional industries and biotechnology industry to increase production benefits of non-high technology industries by means of high technology equipment technology.

2.1.3. Future Supply and Demand in the Market and Growth Prospect

(1) Sales and Service Business for High Technology Equipment

(1.1) Equipment Business

The international research and consulting institute Gartner, global revenue of semiconductor industry was 419.7 billion USD in 2017, and it grew 22.2% compared to 2016. The scarcity of memory had boosted revenue of memory market by 64% growth, which shared 31% of the revenue of semiconductor in 2017. Market Intelligence Center of Institute for Information Industry stated, based on the global developing trend of semiconductor industry in 2017, the demand of 3C end products became steady, which will boost the price of memory; also with the growing demand of automobile electronics and industrial semiconductor, the global market scale of semiconductor will have a growth of 9.8% compared to 2016, and reach 372.1 billion USD. Looking forward to 2018, Gartner predicted that the market of semiconductor will grow 4% again and reach 427.4 billion USD. Under the global growing trend of semiconductor, Market Intelligence Center of Institute for Information Industry expected the global market of semiconductor will have a small growth of 2.1% in 2018.

According to the annual McClean Report of 2018 from IC Insights, from 2017 to 2022, the sales of analog chips (including universal equipment and special equipment) is expected to grow with 6.6% compound annual growth rate, from 54.5 billion USD growing to 74.8 billion USD. IC Insights predicted, the sales of integrated circuit will have about 8% growth in 2018, and the growth rate was about 22% in 2017. This Company predicted that the sales of chips would reach 393.9 billion USD, and reach 466.8 billion USD in 2022.

IC Insights' research reported, due to the price of memories like DRAM and NAND Flash in 2018 are growing much higher than expected, the growth rate of semiconductor market in 2018 were changed from 8% to 15%; even if DRAM was deducted from semiconductor market, the growth rate in 2018 would still be changed up to 10%. Besides, the growth rate of market scale of DRAM was highly changed up to 37% and NAND Flash up to 17%.

In terms of panel industry, DIGITIMES Research predicted that shipping quantity of big-sized (9-inch and above) TFT-LCD panel would be 235 million pieces for Taiwanese companies (excluding Sharp) in 2018, which declines 0.8%; the main reason of the declining is the mass production of panels from the new production lines in China, which will bring down the shares of Taiwanese panel companies. The reduction and elimination of PC panels of Korean Companies have already reflected on their shipping quantity. Panel industry in Taiwan will lack of practical favorable factors next year.

According to the prediction of DIGITIMES Research, the production amount of high brightness LED will grow 4.8% and reach 13.81 billion USD (approximately 408.4 billion NTD) in 2018, and the annual growth rate will be between 2% and 5% in 2022.

From the demand and application of LED from 2017 to 2022, DIGITIMES Research predicted that automobile applications and monitors are the ones with potentials for high growth in the future, the compounded annual growth rate will be 14%~15% and 9%~12% respectively.

(1.2) Material Business

Materials are sold for supporting production requirement of factories of customers all over the world. Therefore, the sales of various related

materials would increase in response to outputs of various industries. With respect to supply, increase of customer satisfaction in technology, cost and after sales service is focused to increase market share.

(2) Automation System Business

(2.1) Gas Automatic Supply System

MIC Group not only ensures continuous orders from existing customers, but also actively develops new customers and orders. Despite the intense competition, the Company will be able to earn a place in the gas dispense system market owing to years of solid foundation, research and development resources it continuously invests in, as well as innovative gas dispense systems developed with customers with advanced technologies.

(2.2) Chemistry Automatic Supply System

With respect to supply, all competitors are engaging in localized production now in order to reduce cost and increase delivery speed.

(2.3) Running Service Business

Judging from the current industry situation, existing customers will continue to designate the original manufacturers to supply equipment for operations. Under the pressure of cost reduction, outsourcing is an inevitable trend. If the professional ability of an outsourced company is recognized by customers and "suppliers", the professional operation business volume will greatly increase in response to market demands.

(2.4) Plant Automation Business

A. Facility Monitoring Control System (FMCS)

This system is an important investment that introduces facility monitoring for whole plant into factory building in high technology industry. In addition to high technology, other industries will also increase the demands for such automatic plant monitoring facility due to advanced technique. However, expansion of potential market demand results in the trend of increased participant companies.

B. Automatic Special Gas Monitoring System (GMS)

GMS, like the central brain, is a design necessary for safety measure in building factories for high technology industry. Additionally, because life and security of people are involved, the threshold for new competitors is very high. The Group can still be one of the leaders in this field as long as the technological function keeps improved. This should be an apparent fact. Such monitoring system market has increased due to production expansion of original IC, LCD and LED industries. Other peripheral related industries also have to introduce use of such system because of production related equipments or materials with respect to security and monitoring requirements.

C. Manufacturing Integration Business (CIM, Computer-Integrated Manufacturing)

With the advent of Industry 4.0, all industries are turning to automation, digitization and smart plant. MIC helps enterprises with Customer Relationship Management (CRM) and Supply Chain Management (SCM) systems, and establish a horizontal integration system. We also integrate Enterprise Resource Planning (ERP), Computer-Integrated Manufacturing (CIM) and Manufacturing Execution System (MES), to strengthen the vertical integration system. Through horizontal, vertical and related systematic integration, we achieve massive custom, efficient production, independent decision-making and fault prediction targets to meet customer needs.

D. Information & Communication and Software Services

Products combined cloud technology and Web structure, together with high extensibility of software and hardware structures, are applied to energy saving and carbon reduction, equipment status monitoring special applications to provide clients with quick introduction solutions.

E. Prognostic and Health Management

Especially for semiconductor and optoelectronic industries, how to reduce product defects and increase the utilization of facilities has been the most significant issue in every manufacturing industry. The Company developed the first Taiwanese-built prognostic and health management system focusing on important instruments in semiconductor and optoelectronic industries. As technology has advanced, the demand for monitoring remotely the health state of equipment and predicting breakdown will also increase in other industries, like precision machinery.

F. Business opportunity of IoT's Application

According to the prediction of IDC, the disbursed amount of IoT will increase 14.6% and reach 772.5 billion USD in 2018. IDC predicted that the disbursed amount will be 674 billion USD in 2017, and the disbursed amount will exceed 1 trillion USD in 2020 and 1.1 trillion USD in 2021. The compounded annual growth rate between 2017 and 2021 is expected to be 14.4%.

Taiwanese market is expected to be influenced by ten major trends in 2018:

1. Global and Taiwan's GDP will mostly be contributed from "digitalization" in 2021
2. Formation of companies' digital smart platforms promoted by digital technology
3. Cloud at the Edge will accelerate companies' adoption of cloud technology, and the application environment of cloud service will become diverse and complicated
4. Artificial intelligence will enter the end use
5. Information safety will be capable of "learning" and "prediction"
6. Digital transformation is speeding up and microservices will be the major trend
7. Blockchain will dramatically grow
8. Gradual formation of open business mechanism
9. NB-IoT's win in the LPWAN market
10. The advent of Gaming 3.0

(3) Integrated System Business

Although there are many world-class companies for high technology integration system business, their focuses are on design or engineering construction monitoring for initial factory arrangement or clean room engineering. However, the technologies of high technology industries become more and more mature such that cost of factory building is lower and lower, so that the competition space of these world class companies are oppressed automatically. Furthermore, the complexity and the profession of integrated system business compel those world class vendors to focus only on design, construction monitoring and special high-level clean room items for high unit prices initial factory arrangement stage. This allows the Group to fold an extreme commercial opportunity and competitive advantages.

From equipment expansion integration supply systems of large IC and LCD

fabs to project plan, design, construction and test, a different competition field is differentiated from design and construction monitoring of initial factory arrangement, to which the companies mentioned above pay attention to. Additionally, for special factory building requirement of middle and small factories or foreign customers, the barrier for foreign vendors to enter such field is always difficult due to cost and local after sales service convenience, so that the Group is one of the few professional vendors that can get across such a threshold in the industry.

To maintain competitive advantages and reduce cost, high technology industries have shifted low-level products to China, such that market competition has expanded from Taiwan to China and Southeast Asia. Accordingly, the Group has developed and deployed in such a large Chinese market with a great result.

With saturating electronic industry market, factory expansion and building have slowed down. We are engaged in development of biotechnology and pharmaceutical related business in order to develop another blue sea market. In addition, Southeast Asian business is being developed actively to distribute market risk. Accordingly, business has been developed in Singapore, Vietnam, Malaysia and Myanmar actively.

(4) Customized Equipment R&D and Manufacturing Business

In addition to market growth, use of localized equipment as possible is also a trend in photoelectric industry. As such, not only cost can be reduced, but also "efficient" and "monopoly" is possible in development of new products. The large environment mentioned above is very advantageous to development of customized equipment assemblage, maintenance and process R&D for the Company. With several years of efforts, there have been several ongoing projects running smoothly. In addition to continuous development of talents, the Company employs experts to join operation team in order to occupy a position when there is an opportunity.

2.1.4. Competition Niche

- (1) Wide business range capable of reducing single industry business cycle risk effectively.
- (2) High technological level facilitating to win whole plan turn-key engineering business because there are few vendors with both automatic supply system and process equipment linking integration capabilities in our nation.
- (3) Providing customers with diversified services, based on which deepness and breadth of products can be further expanded from process equipment, material agent, automatic supply system and integration system to localized assemblage, manufacturing design (OEM, ODM), installation, maintenance service.
- (4) Business sites are located in Taiwan, China, Singapore, Malaysia, Vietnam, Myanmar, Korea, Japan and United States for providing customers with local services and handling local market.
- (5) We have robust operation team and rich experiences, and excellent professional staffs, and integrate transversely related technologies of various business divisions, go into different industries deeply, and deploy related business in Asia.

2.1.5. Advantageous and Disadvantageous Factors of Development Vision and Response Strategy

(1) Advantageous Factors

- (1.1) The business of the Company covers, for example, IC, TFT- LCD, LED, IC packaging, OLED, petrochemical, lithium iron battery, solar cell, electro mechanics, telecom, food industries, which are still the industries with large growth for the coming 10 years in Taiwan, China and Southeast Asian region. The coming growth trend is a definite fact although there is still business cycle.
- (1.2) As for high technology equipment material sales and service business, the Group and various suppliers have keep long term cooperative partnership. In addition to business transaction, we also obtain long term common interest with each other through cooperative production plan actively.
- (1.3) The high industry has grown quickly in Taiwan such that talents in building factories are insufficient for all companies. In the future, the professional vendor with "integrated system" capability will be advantageous of attracting talents. For 28 years, the Company has introduced foreign technologies and developed integration in depth as the only one choice in our nation now. Moreover, the companies with such capabilities in Europe and America are very rare. Furthermore, under "localization" requirement in our nation, the development of the Company is far superior to other European and American companies.
- (1.4) In order to reduce production cost and excessively large equipment (e.g., process equipment beyond 8.5G TFT-LCD) factors, the opportunity that foreign vendors search for OEM cooperation has increased. Currently, the customized equipment manufacturing business of the Group has been developed for many years, and cooperation projects with multiple original vendors are ongoing. The development with respect to capability of such technology facilitates to R&D of future equipments of high technology industry and accelerates improvement of both manufacturing quality and quantity for introducing foreign process equipments into Taiwan.
- (1.5) The Company has been approved with ISO 9001 international quality certification and ISO 14001, OHSAS 18001 certifications to provide customers better service quality.

(2) Disadvantageous Factors and Countermeasure

- (2.1) The growth of high technology industry grows excessively fast and graduate talents are insufficient. Moreover, excellent professional talents of the Group are susceptible to be poached by other companies and customers.
Countermeasure:
Provide internal trainings for talents actively in order to improve comprehensively product design and technical abilities, and realize professional experiences and R&D results with effective accumulation, together with offering bonus, share allotment and stock option certification programs for employees in order for employees to be more stable and in order to hire good talents.
- (2.2) After participation in WTO (World Trade Organization), foreign operation sites have entered our nation such that market competition is more and more intense. Therefore, partial products may suffer from reduction of price and product gross margin due to competition with companies in the same industry and mature market.

Countermeasure:

In addition of deep development of original niche market with inherent advantages with respect to domestic laws, language and culture, the Group creates products, services and technologies with "integration" and with "differentiation" compared to competitors actively. Also, with standardization of work flow, MIS system cost control budget is enhanced to save labor, increase efficiency for cost down and reduce labor waste. Moreover, domestic business is promoted, together with sales promotion in Singapore, Malaysia, Vietnam, Myanmar, Japan, Korea and China markets in response to challenge of market opening.

(2.3) There are very engineering variables for automatic system and integrated system business, which are susceptible to mutual interaction of various engineering. Therefore, if the engineering work period is relatively long, increase of expenses of materials, equipments and outsourcing fees will result in increased cost, which causes business risk and financial maneuver risk.

Countermeasure:

The Group has to evaluate the factors that undertaken cases might influence work periods, and list them into predicted engineering cost, keep good cooperation relationship with suppliers, and develop long term good outsourcing vendors. During construction period, procurement and outsourcing prices have to be handled immediately, the possibility of price fluctuation has to be predicted, and discussion meetings for countermeasure in response to price fluctuation have to be held regularly or irregularly and collaborative procurement with relative enterprises should be done to reduce variation risk of procurement and outsourcing prices effectively. Also, short term engineering business should play the major role, and company has to adopt steady financial policy with sufficient operation revolving fund to pay revolving fund necessary for engineering operation. Thereby, not only belief of proprietors to credits and trust of the company may be increased, but also capital cost may be reduced.

2.2 Important purposes and production processes of major products

2.2.1. Important purposes of major products

(1) Sale and service of hi-tech equipment materials

Manufacturer	Product	Function
Japan Lasertec Corporation	LCD Color Filter Repair System	Inspection and repair of color filters
	Laser Scanning Conofocal Microscope	Application is more extensive, covering various businesses; mainly used by R&D for measuring 3D critical dimension and surface curve.
Japan Hitachi-Kokusai	Vertical Furnace	Equipment for diffusion; the vertical design can reduce the area of clean room and is suitable for advanced 12" wafer production technology.
	MMT Plasma Nitridation System	Equipment for film growth; suitable for nm-grade IC manufacturing process, and has unique plasma source for growing films without plasma decomposition.
	Batch-type BCD Process System	Equipment for film growth; suitable for growing high-k, oxide and helide films; a necessary equipment for nm-grade IC manufacturing process.
Japan MTC	Photoresist Spinner	Apply photoresist onto surface of reticle by dropping while spinning.
	Cleaning System	Wash surface of etched glass with appropriate cleansing liquid or deionized water.
USA Bruker- JV	X-Ray(HRXRD/XRR)measurement system	Measure thickness and component percentage of semiconductor's nm advanced process wafer film by using HRXRD/XRR.

Manufacturer	Product	Function
USA DOW Chemical	OLED materials; photoresist materials; Photo Spacer; organic isolation materials	OLED deposition process; TFT yellow light process; CF sensitive separator; advanced process
Japan Athlete FA	Wafer Mounter	Applied in advanced WLCSP process; it grows solder balls on appropriate locations on wafer surface.
Korea Top Engineering	LC Injector	Inject LC molecules into panel to form LCD's optical attribute.
Korea SFA	Polarizer, Remover, Recycling machine, Cleaning System, FA System	Laminate polarizer onto panel to form the optical attribute of polarized light.
Korea KOSES	Laser beam cutting machine; Laser beam molding machine	Laser cutting of unnecessary parts; OLED glass sealing
Korea Dong-A	OLED/LCD Aging System	R&D and QC engineering testing for various products such as LCD panel and OLED, and LCM post process module burn-in system testing.
Germany HENKEL	ODF Sealant	Suitable for sealing glass of LCD CELL fragment
Korea MCK	Glass Cleaning Cartridge	Suitable for cleaning glass of LCD chip fragment
Belarus KBTEM-OMO	Photomask pattern generator, inspection and repair	Applicable to photomask industry

(2) Automation Supplying System

Category	Application
Gas Supply Automation System	Suitable for: IC, LCD, LED, GaAs and other hi-tech industries. Scope: Plan and design a gas supply automation system for an entire plant, including equipment selection, installation and testing, to provide a system that conforms to quality, safety, quantity and cost standards.
Chemical Supply Automation System	Suitable for: IC, LCD, LED, solar cell and other hi-tech industries. Scope: Plan, design, manufacture and install a delivery automation system, provide relevant equipment including mechanical and electrical products and automatic control, and provide relevant after-sales service for equipment.
Ultra Pure and Waste Water Treatment System	Suitable for: IC, LCD, LED, solar cell, public construction and other industries. Scope: Turn-key system planning, design, build, installation and running, including mechanical and electrical products and automatic control, and provide relevant after-sales service for equipment.
TCM (Total Chemical Management) · TGM (Total Gas Management) · TWM (Total Gas Management)	Suitable for: IC, LCD plants. Scope: Supply automation system operation, maintenance, material application, replacement and quality inspection.
Facility Management Control System (FMCS)	Suitable for: IC, LCD, LED, solar cell and other hi-tech industries. Scope: FMCS integrates sub-systems' management control and data collection and analyses to improve operational efficiency of facility and to reduce labor. The plan we provide for special gas control, which is most sensitive, can maintain production operation and protect workers' safety under the most economic consideration.
Computer Integrated Manufacturing (CIM)	Target industries: High-tech related industries (IC, LCD, LED, Solar) and traditional manufacturing. Scope of business: Our mission is to help diagnose and connect the device, allowing them to be able to "talk". After collecting the data, we further conduct integration analysis, for example, using prognostics and health management (PHM) model to strengthen the maintenance schedule at the manufacturing site, so that we can enable new value for communications between the data. Whether it is a top-down process from the ERP for information management at management levels, or a bottom-up process from the MES for field control at operating levels, we allow a better smart factory through information stream, collection, and integration.
Agency for Automated Products	Suitable for: Various industries. Scope: Energy conservation and carbon reduction control, Dry Pump control, gas control system, remote control for coal mine safe production, intelligent solar energy control system, building automation control system, equipment health pre-diagnosis and management system for hi-tech industries, control system ODM service.
Business Support System (BSS)	Suitable for: Suppliers for telecommunications service, content service and Internet service. Scope: Plan, design, introduce and maintain relevant systems, including: ① Customer Relationship Management System for managing product catalogues, marketing events, consumers' basic information, service contracts, and complaint application and handling. ② Charging and Billing System for managing consumers' account information, contractual tariff, service fee calculation, bill production, and charge off/write off.

Category	Application
	<p>③ Order Management System for managing consumers' orders, supplying equipment, and arranging supply and installation.</p> <p>④ Call Center System for providing a channel for customer service, handling customer calls, and notifying customers by phone.</p>
Operations Support System (OSS)	<p>Suitable for: Suppliers for telecommunications service, content service and Internet service.</p> <p>Scope: Plan, design, introduce and maintain relevant systems, including:</p> <p>① Provisioning System for setting network equipment, arranging network resources, and opening authority limits of consumer accounts.</p> <p>② Fault Management System for controlling operational status of network equipment, and collecting and handling fault alert messages.</p> <p>③ Performance Management System for control operational efficiency of network equipment, and collecting and handling fault alert messages.</p>
Value-added Service System	<p>Suitable for: Suppliers for telecommunications service, content service and Internet service.</p> <p>Scope: Plan, design, introduce and maintain relevant systems, including:</p> <p>① Short Message System: interconnect short message center, provide sending of enterprise marketing/notification messages.</p> <p>② e-Books System: provide management, subscription and charging of e-book store members.</p> <p>③ Content Management Platform: integrate multimedia contents, support playing of contents of multiple intelligent terminals, and provide contents on/off shelf management function and charge.</p> <p>④ Voice Service VPN System: provide internal mobile phone VPN service; can adopt code dialing and call saving; integrated with webcam function.</p>
Enterprise Resource Planning System	<p>Suitable for: Manufacturing and engineering related industries.</p> <p>Scope: Plan, design, introduce and maintain relevant systems, including:</p> <p>① Manufacturing Management System (MingStar-M): provide complete information on material fees and costs collected within an enterprise for analysis on the plant's status as basis for improving efficiency and controlling costs.</p> <p>② Engineering Management System (MingStar-P): provide manager with project control related information for understanding execution status of project budgets as basis for arranging self-owned labor, subcontractors and outsourcing, and further managing project progress and controlling costs.</p> <p>③ Accounting System (MingStar-A): provide internal subpoena and account book operations, account book information and financial statement information; provide method for handling multi-currency and multi-category accounts.</p> <p>④ Consolidated Report System (MingStar-C): allow Group to conduct collective statistics and produce various consolidated reports on information regarding its subsidiary or relevant enterprise; provide manager with report inquiry functions such as information consolidation, tracking and verification; can execute comparison and consolidation of multiple corporate financial statements, manage accounting of firm's multiple foreign currencies, and further compile the Group's financial information; provide financial statements that conform to laws and regulations.</p>
Business Intelligent Product (QlikView)	<p>Suitable for: Various industries; currently focused on manufacturing, distribution and telecommunications related industries.</p> <p>Scope: Plan, design, introduce and maintain relevant systems, including:</p> <p>① QlikView tool</p> <p>② Customized system outsourcing service</p> <p>③ Consultation service</p>

(3) ITotal Facility Engineering Turnkey Project

Category	Application
Turn-key Project	<p>Suitable for: hi-tech related plant building affairs.</p> <p>Scope: Planning, design, construction, supervision and testing, including mechanical and electrical product, clean room, UPW, gas, chemical and waste water treatment, and overall equipment connection; customer can seek the help of expert firms to refine labor and costs to rapidly complete plant building and profit from production.</p>
Total Turnkey Hook-up Project	<p>Suitable for: Semiconductor, photoelectricity, biotechnology and other hi-tech industries.</p> <p>Scope: Gas piping, chemical piping, UPW piping, vacuum piping, exhaustion piping, etc.; integration of at least 14 items.</p>
General Engineering	<p>Suitable for: Petrochemical industry, general traditional production industry.</p> <p>Scope: Design, piping and mechanical and electrical products of petrochemical plant; mechanical and electrical products of traditional production plant, mechanical and electrical products of intelligent building, and public construction; mass transit system construction.</p>

(4) R &D and manufacturing of customized equipment

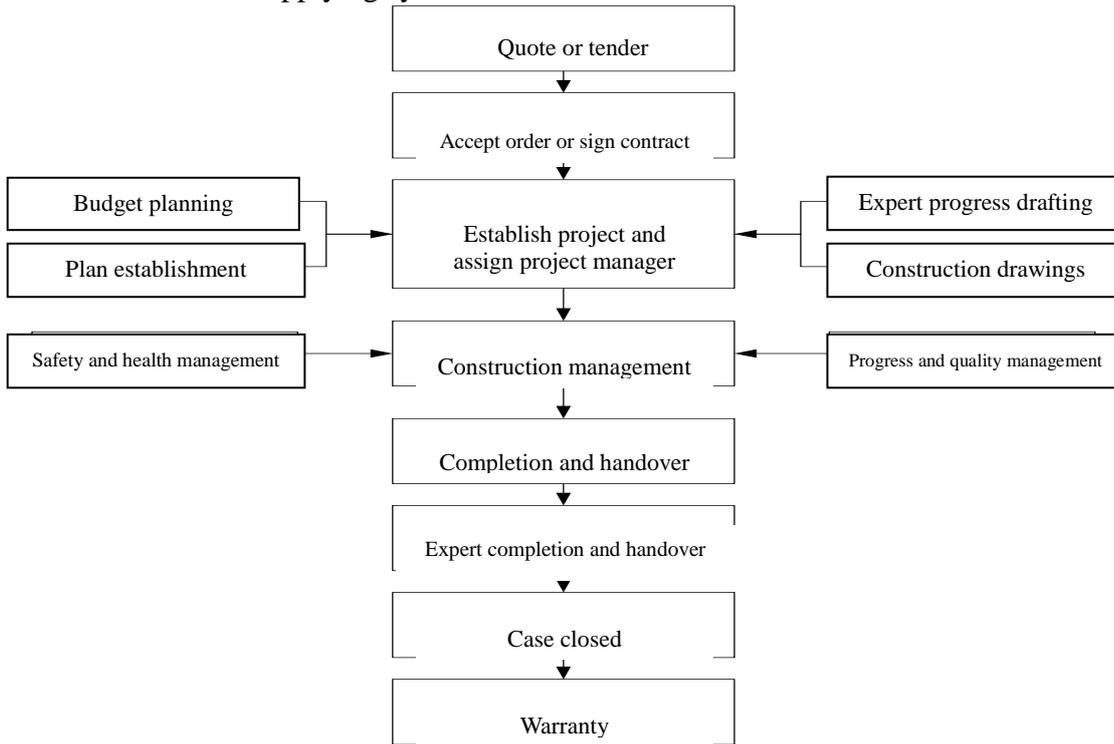
Category	Application
Customized equipment manufacturing	<p>Suitable for: IC, LCD, O-LED, solar energy and other traditional industries.</p> <p>Scope: Based on consideration toward market competitiveness, the current entry point has to be focused on localized and customer design products. As for mass production of major production equipment, it shall be focused on cooperative production with foreign suppliers. Examples of development projects include CIM (facility automation software) of TFT LCD/Touch Panel industry, 8G panel conveyor, Burr Checker, Dense Packer, 8G inspection equipment mechatronic software and hardware, Solar energy battery modul equipment, image inspection equipment, and solar energy battery laser marking machine. Also make developments toward industrial logistic system automation equipment of tradition industries such as IT, biotechnology, and pharmacy.</p> <p>Suitable for: electronics and other relevant industries.</p>

Category	Application
	Scope: 1. Automation integration system for filling and packing palletizer in beverage industry. 2. Automation integration system for filling and packing palletizer in food industry. 3. Assembly automation system in electronic industry.

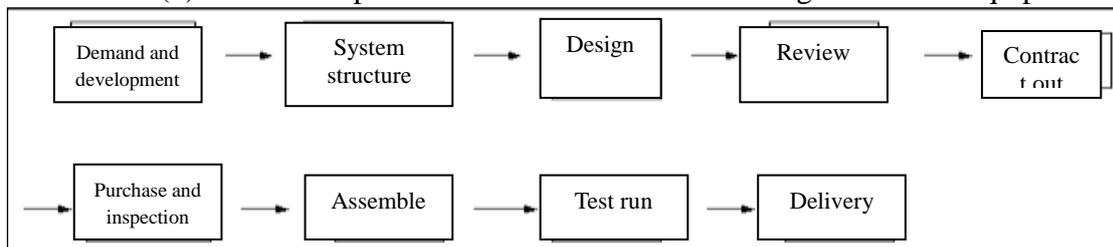
2.2.2. Production process of major product

Our high-tech equipment material sales and service are not production businesses, thus there is no manufacturing process. Our plant affairs and process system planning and integration service, and production process of customized equipment R&D and manufacturing are as follows:

(1) Workflow of Total Facility Engineering Turnkey Project and Automatic Supplying system



(2) Production process of R&D and manufacturing customized equipment



2.3 Status of major material supply

For a hi-tech equipment sales and service business, the products we are authorized to sell as an agent are from long-term cooperating firms, thus the supplying is quite stable. Regarding plant affairs and process system planning and integration, stocked items are mainly raw materials required for piping constructions, such as pipe sitting materials and control valves. Because construction collaborations with owners are handled as projects, suitable equipment and materials are assigned by customers according to contractual requirements. Therefore, suppliers differ with the items purchased for each project and their specifications. However, as the quality of important construction materials, such as

pipe fitting, affects the stability and safety of an automation supply system, we adopt the strategy of long-term cooperation with two to three outstanding pipe fitting suppliers. As for customized equipment R&D and manufacturing, supply and quality of materials are normal and steady without any supply shortage or interruption.

2.4 Name of customer with over ten percent of total purchase (sales) in one year for the previous two years and its amount and ratio of purchase (sales), explain the reason for the variation

2.4.1. Information of customer with over ten percent of total sales (service) in one year for the previous two years:

Unit: thousand NTD; %

Item	2016				2017				As of March 31, 2018			
	Name	Amount	Net ratio of annual sales (%)	Relationship with issuer	Name	Amount	Net ratio of annual sales (%)	Relationship with issuer	Name	Amount	Net ratio of annual sales (%)	Relationship with issuer
1	Customer A	2,966,910	15.91	Non-related	Customer A	2,823,781	13.97	Non-related	Customer A	589,499	10.62	Non-related
2	Customer B	1,885,260	10.11	Non-related	Customer B	2,102,001	10.40	Non-related	Customer B	-	-	Non-related
	Other	13,798,771	73.98		Other	15,286,212	75.63		Other	4,959,549	89.38	
	Net sales	18,650,941	100.00		Net sales	20,211,994	100.00		Net sales	5,549,048	100.00	

Note 1: The names of customers with over ten percent of total sales for the previous two years and their amount and ratio of sales are listed, but if the contract forbids disclosure of customer names or whether the counterparties are individuals and non-related parties, codes may be used. The above net sales refer to the net revenue from goods sold and service rendered.

Note 2: Listed company or company that has its stock listed and traded on the stock exchange shall have the information stated up to the season of the printing of the annual report. Besides, it is also a must to note whether the financial information has or has not been certified and reviewed by accountant.

Note 3: The above information shall be revealed on the 2016 and 2017 consolidated financial statement certified by the accountant and 2018 Q1 consolidated financial statement certified by the accountant.

Variation analysis:

We act as an agent for multiple critical materials and equipment required by semiconductor and photoelectric businesses, and we collaborate with OEM in developing related equipment modules. Our steady goods supply and elevated added values, such as technical support, have won the trust of customers. As we have years of technical and managerial experience as well as outstanding construction performance, our expert system integration construction services for automation gas and chemical supply system and plant affairs control system are highly praised by our customers. As for related equipment module development through collaboration with OEM, our steady goods supply and elevated added values, such as technical support, have won the trust of customers. We have built solid and close supply value chain system with customers, thus in the recent two years, the status of our sales and service targets are quite stable without any changes or abnormality.

2.4.2. Information of major purchasing customer with over ten percent of total purchase in one year for the previous two years

No purchase by firm or outsourcing has exceeded 10% of total purchase (outsourcing) in one year for the previous two years.

2.5 Yield and output value for the recent two years

Unit: thousand NTD

Major merchandise (dept.) / Yield & output value / Year	2016			2017		
	Capacity	Yield	Output value	Capacity	Yield	Output value
Sales and service of high-tech equipment and materials			4,264,156			4,194,072
Automation supply system	Note	Note	3,553,783	Note	Note	3,952,008
Total Facility Engineering Turnkey Project			4,475,825			4,666,010

Major merchandise (dept.) / Yield & output value / Year	2016			2017		
	Capacity	Yield	Output value	Capacity	Yield	Output value
R&D and manufacturing of customized equipment			4,109,520			5,098,567
Total			16,403,284			17,910,657

Note 1: We supply materials and equipment required by semiconductor and photoelectric businesses, and we provide construction contracting service of automation supply system and total integration system. Application of these materials and equipment extends to high-tech industries, such as semiconductor, photoelectrics and solar energy, thus there are numerous types of products and no uniform unit for quantity statistics. The plant construction projects we contract are created based on owners' requirements, thus the nature of each project is different and each project has its own uniqueness. As the production and marketing output values cannot be calculated, the statistics are gathered according to product or service category.

Note 2: The above information is revealed in the CPA certified consolidated financial reports for 2016 and 2017.

Variation analysis:

Our group benefited from the continual economic upturn of the semiconductor, optoelectronics, and other electronics industries in 2017 as well as the momentum of the cross-strait expansion. Thus, our orders on demand from clients from all different industries had risen, resulting in our consolidated revenue increase in 2017 compared to the previous year. Thus, our value of output had increased as well.

2.6 Sales volume for the recent two years

Major merchandise (dept.) / Sales volume / Year	Unit: thousand NTD					
	2016			2017		
	Region			Region		
	Taiwan	China	Other	Taiwan	China	Other
Sales and service for hi-tech equipment and materials	2,728,294	2,307,626	103,324	2,914,350	2,019,396	117,791
Automation supply system	2,852,069	837,503	364,687	2,294,836	1,849,811	319,607
Total Facility Engineering Turnkey Project	2,452,198	2,035,404	43,207	2,648,646	1,799,931	267,508
R&D and manufacturing of customized equipment	726,861	421,096	3,778,672	513,987	783,712	4,682,419
Total	8,759,422	5,601,629	4,289,890	8,371,819	6,452,850	5,387,325

Note 1: We supply materials and equipment required by semiconductor and photoelectric businesses, and we provide construction contracting service of automation supply system and total integration system. Application of these materials and equipment extends to high-tech industries, such as semiconductor, photoelectrics and solar energy, thus there are numerous types of products and no uniform unit for quantity statistics. The plant construction projects we contract are created based on owners' requirements, thus the nature of each project is different and each project has its own uniqueness. As the production and marketing output values cannot be calculated, the statistics are gathered according to product or service category.

Note 2: The above information is revealed in the CPA certified consolidated financial reports for 2016 and 2017.

Variation analysis:

In the past two years, our group mainly focused on providing sales services to Taiwan (Republic of China, R.O.C) and China. From the changes in our sales figures, our analysis is that our group benefited from the continual economic upturn of the semiconductor, optoelectronics, and other electronics industries in 2017 as well as the momentum of the cross-strait expansion. Thus, our orders on demand from clients from all different industries had risen, resulting in our consolidated revenue increase in 2017 compared to the previous year. All in all, the changes in the consolidated revenue of Marketech International Corporation according to sales and regional categories are due to reasonable causes such as customer demand, market demand and supply, the nature of engineering works, and continued relationships in cooperation. There was no occurrence of significant unusual situations.

3. Human Resources

The employee profile for the recent two years and as of the printing date of annual reports is as follows:

Unit: person(s); %

Item/Year	2016	2017	As of March 31, 2018	
Number of employees	Direct worker	727	727	829
	Indirect worker	758	758	797
	Total	1,485	1,485	1,626
Average age	35.22	37.59	36.81	
Average years of service	6.68	7.68	7.16	
Education distribution ratio (%)	Doctor	0.86	0.86	0.55
	Master	12.23	12.23	11.69
	University	42.23	42.23	41.33
	Junior college	29.39	29.39	29.46
	Other	15.29	15.29	17.84

4. Environmental Protection Expenditure

For the previous year and as of the printing date of annual reports, provide the total amount of losses (including damages) and penalties due to environmental pollution, and describe future countermeasures (including improvement measures) and possible expenses (including estimated amounts of losses, penalties and damages that may occur if the countermeasures are not adopted; for those that cannot be reasonably estimated, explain the reason): None.

The business we operate does not cause any pollution. When semiconductor process consumable materials, such as chemical-mechanical polishing liquid, have to be discarded due to uncontrolled temperature or humidity or expiration, or when raw materials have to be discarded during production process, they are removed and transported by expert waste treatment firms as regulated. All air, water, waste, toxin and noise levels are qualified through inspection by local government authorities. Plant affairs and process system planning and integration services refer to hi-tech industrial facility design, planning, construction and installation. The construction process does not generate pollutants such as waste water or waste gas. Regarding machine to be self designed and assembled as required by customer, because the assembling is carried out in a clean room, thus it does not generate pollutants such as waste water or waste gas. In addition, the wastes generated from production or assembly are divided and bagged by categories in accordance with government regulations and owner norms before they are handed over to qualified expert waste treatment firms. Furthermore, our products do not involve regulations of EU Environmental Directive (RoHS), thus we are not affected by RoHS. There is no environmental pollution involved in our business.

5. Labor Relations

5.1 List each employee benefit practice, continuing education, training, retirement system and their implementation, as well as labor-capital agreements and each employee rights maintenance measure

5.1.1. Employee benefit practices

To promote labor harmony, bring together unity amongst employees and take care of employee benefits, we provided not only the social insurance regulated by local governments but also employee's group insurance and physical examination. We have setup nursery rooms, reading spaces and dormitories in part of the office areas, as well as provide shuttle buses, for our employees. Our Employee Benefit Committee or personnel administrative unit is responsible for promoting employee benefit practices,

such as incentive tour, group seminar, outdoors activity and year-end party, and providing assistance in communicating labor-capital opinions.

5.1.2. Employee continuing education

To cope with the industrial environment and technology development that are changing rapidly, we provide employee funds every year for subsidizing employees' learning to create employees with competitiveness and potential, allowing employees to elaborate learning results, apply new knowledge and develop creations, and acquiring rich profits.

5.1.3. Employee training

To enhance employee literacy and working skills, as well as strengthen work efficiency and quality, we established the "Regulations for Guidance for New Employees", the "Regulations for Educational Training Expense Write-off and Language Subsidy Management" and the "Procedure for Human Resource Control"; guidance and educational training are implemented once new employees report to work. Industrial safety training is held regularly to maintain work safety. We have planned annual educational training programs for implementing general training and expert training for employees of all levels and functions to train excellent professional talents and further enhance operational performance as well as effectively develop and use human resources.

5.1.4. Retirement system and its implementation

(1) Employees of the Company and its domestic subsidiaries who choose the old labor pension system

Retirement includes voluntary retirement and compulsory retirement. An employee who has served the Company for 25 years or is 55 years old and has worked for over 15 years or is over 60 years old may apply for voluntary retirement. An employee who is over 65 years old or is not qualified for the job due to state of insanity or physically disabled must be compelled to retire. Pension payment and calculation shall be handled in accordance with the regulations of the Labor Standards Act.

(2) Employees of the Company and its domestic subsidiaries who choose the new labor pension system

- (2.1) For an employee who chooses the new system, 6% of his/her wage will be allocated monthly to a personal account at the Bureau of Labor Insurance in accordance with the labor pension. For voluntary allocation, the wage withheld will be remitted to a personal account at the Bureau of Labor Insurance in accordance with the voluntary allocation rate.
 - (2.2) Monthly retirement payment: according to the annuity table, the amount calculated using bases of life expectancy and interests for an employee's personal pension account and accumulated gains is the retirement payment paid regularly.
 - (2.3) Lump-sum retirement payment: collect the capital of the employee personal pension account and accumulated gains all at once. The abovementioned annuity table, life expectancy, interest and amount calculation shall be established by the Bureau of Labor Insurance and filed to the central competent authority for approval.
 - (2.4) An employee who is over 60 years old and has worked for over 15 years may apply for monthly retirement payment. But an employee who has not worked for over 15 years shall apply for lump-sum retirement payment.
- (3) In accordance with the Labor Act of the People's Republic of China, a certain ratio of the wage of an employee working at a subsidiary in China is allocated monthly as endowment insurance funds. Part of the amount allocated will be designated as social funds for management and usage by the government; the rest will be

remitted to the employee's personal account to ensure his/her basic living requirements in old age and provide stable and reliable living sources.

- (4) Other subsidiaries conform to related regulations of the Labor Act established by the local government, and allocate an amount of certain ratio for retirement payment according to the wage cap to ensure his/her living rights in old age.

5.1.5. Labor-capital agreements and employee rights maintenance measures

We see labor and capital as one, and handle industrial relations in accordance with the operational principles of co-existence and co-prosperity, thus we value the opinions of employees. Employees may communicate living or work related problems through our formal or informal channels. Through the opportunity for two-way communication, the Company and employees can further understand and recognize each other, gather common consensus and achieve together excellent performance.

- (1) Industrial coordination mechanism:

Establish unions or industrial meetings in accordance with regulations stipulated by local governments for two-way communication between the Company and employees regarding issues such as government orders, working environment and safety and health, as well as for strengthening a mutual trusting relation between each other.

- (2) Beneficial activities:

We have an Employee Benefit Committee, of which members are warm-hearted workers good at communication. They are designated by employees and elected through public and fair election, thus they can provide complete insights on behalf of employees toward the Company's benefit measures during committee meetings and achieve full communication and consensus. In addition, to advocate recreational activities, we hold on irregular basis tours and sports competitions. We also encourage employees to organize different clubs to enhance communication through cross-departmental organizations and harmonized atmosphere.

- (3) Physical examination:

To maintain employees' health, we implement physical examination every year at the Company's cost. Special physical examination is implemented every year for employees engaged in special operations.

- (4) Group insurance:

In addition to the basic security of social insurance, we have planned group insurance to provide injury and illness treatment for compensating insufficiencies in the basic security of social insurance. Travel accident insurance is provided for employees on business trip abroad, of which the premium is paid fully by the Company.

5.2 For the recent year and as of the printing date of annual reports, list the losses incurred by industrial conflicts, and disclose estimated amounts and responsive measures for losses that may occur now or in the future; if a loss cannot be estimated reasonably, state the reason

We have always valued employee benefits and our industrial relations are harmonious, thus no industrial disputes were encountered. We will continue to follow our principles in the future for industrial relations to be more stable and harmonized and achieve mutual benefits.

6. Important Contracts

Listed below are significant agreements that are still effective as of the printing date of annual reports and due in the recent year:

Nature	Contracting party	Commencement date and termination date	Mainn contents	Restriction terms
Agency agreement	KMG, USA	From 1992.03.27; automatically extended annually if not terminated in writing by either party forty-five days in advance	Distribution rights to chemicals such as semiconductor photoresist liquid	For use in Taiwan
Agency agreement	Hitachi Kokusai, Japan	From 2003.10.01; automatically extended annually unless wishes to terminate the agreement and proposes termination thirty days in advance	Distribution rights to furnace	For use in Taiwan, China
Agency agreement	IHI Corporation, Japan	From 2000.09.01; automatically extended annually if not terminated in writing by either party six months in advance	Maintenance and distributions rights to main equipment for panel production process	For use in Taiwan, China
Agency agreement	K C Tech Co., Ltd., Korea	From 2006.10.31; automatically extended annually if not terminated in writing by either party sixty days in advance	Cleaning equipment for LCD industrial wet production	For use in Taiwan, China
Agency agreement	Lasertec Corporation, Japan	From 2004.06.30; automatically extended annually if not terminated in writing by either party three months in advance	Maintenance and distributions rights to color filter tester and laser microscope	For use in Taiwan, China, Hong Kong, Malaysia
Agency agreement	Lapmaster SFT Corporation, Japan	From 2001.05.08; automatically extended annually if not terminated in writing by either party sixty days in advance	Distribution rights to polishing and measuring related equipment for semiconductor production process	For use in China
Agency agreement	TEX E. G . Co., Ltd. , Japan	From 2003.12.01; automatically extended for two years every two years if not terminated by either party in writing two months in advance	Distribution rights to robotic arm	For use in Taiwan (AIPC)
Agency agreement	Rippey Corporation, USA	From 2002.02.02; automatically extended annually if not terminated in writing by either party ninety days in advance	Distribution rights to polishing brush for semiconductor production process	For use in China
Agency agreement	Symco Corp. (Ryoka), Japan	From 2004.03.17; effective for two years; automatically extended annually if no termination notification is proposed one month in advance	Distribution rights to photo tester	For use in Taiwan, China
Agency agreement	Top Engineering Co., Ltd., Korea	From Feb. 28 of 2006, the validity is one year and if no written notification for terminating the contract is sent to the Party 60 days before the expiry date, the contract will be renewed automatically.	The proxy right for ODF one-time crystal injector	For use in Taiwan (AUO, CMO, Innolux), China
Agency agreement	Integrated Process Systems, Ltd. , Korea	From 2008.10.15 to 2009.10.15; effective for one year; automatically extended annually if no termination notification is proposed by either party sixty days in advance	Distribution rights to dry etching equipment	For use in Taiwan (CMO, Toppoly, CPT&Hannstar), China (SVA, Tianma, IVO, BOE&IRICO)
Agency agreement	Spiro Technology Systems, Inc. , USA	From 2011.09.01 to 2012.08.31; effective for one year; automatically extended annually if no termination notification is proposed by either party ninety days in advance	Distribution rights to BizShaker Family of products	None
Agency agreement	QlikTech International Markets AB, Sweden	From 2014.09.01 to 2015.08.31; effective for one year	Distribution rights to Software Called Qlikview	For use in Taiwan
Agency agreement	Shinhan Diamond Industrial Co., Ltd. , Korea	From 2014.04.07 to 2017.04.06; effectiveforone year	Distribution rights to diamond tools	For use in China

Nature	Contracting party	Commencement date and termination date	Mainn contents	Restriction terms
Agency agreement	Cabot Miroelectronics Corporation, USA	From 2015.03.31 to 2017.03.31; effective for two years	Distribution rights to microelectronic materials	For use in China
Agency agreement	Coring Tropel, USA	From 2006.06.12; automatically extended upon expiration if there are no objections	Distribution rights to inspection equipment	For use in Taiwan, China
Agency agreement	Bruker-JV, USA	From 2016.02.01; automatically extended upon expiration if there are no objections	Sales, installation and service of inspection equipment	For use in Taiwan, China
Agency agreement	Revasum	From 2015.03.01; automatically extended annually if not terminated in writing by either party ninety days in advance	CMP 、Grinder	For use in China
Agency agreement	Athlete FA Corporation, Japan	From 2015.05.30; automatically extended annually unless wishes to terminate the agreement and proposes termination thirty days in advance	Ball Mounter 、Ball Repair	For use in China
Agency agreement	Holon Corporation, Japan	From 2016.03.20; automatically extended annually unless wishes to terminate the agreement and proposes termination ninety days in advance	SEM CD Z7 & Z7-DX	For use in China
Agency agreement	Belerus KBTEM-OMO	From 2016.10.05; effective for two years; automatically extended annually if no termination notification is proposed one month in advance		For use in Taiwan

Part 6. Financial Information

1. Condensed Balance Sheets and Statements of Comprehensive Income for the past 5 fiscal years, and the name of the Certified Public Accountant and the Auditors Opinion given thereby

1.1 Consolidated Financial Information – Based on IFRS

1.1.1. Consolidated Financial Statement

(1) Consolidated Condensed Balance Sheet – Based on IFRS (Consolidated Financial Statement)

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years (Note1)					As of March 31,2018 Financial Information (Note3)	
	2013	2014	2015	2016	2017		
Current assets	8,007,542	9,793,274	9,930,954	12,178,315	13,643,594	12,692,185	
Property, Plant and Equipment (note 2)	1,519,952	1,461,476	1,419,554	1,388,586	1,864,277	2,058,629	
Intangible assets	38,251	32,781	23,045	21,619	20,115	15,811	
Other assets(note 2)	520,692	488,029	552,673	494,262	543,157	588,497	
Total assets	10,086,437	11,775,560	11,926,226	14,082,782	16,071,143	15,355,122	
Current liabilities	Before distribution	5,795,555	7,231,258	7,300,177	8,845,356	10,372,850	9,412,756
	After distribution	5,977,117	7,561,398	(Note 6) 7,630,317	(Note 6) 9,208,509	(Note 6) 10,372,850	(Note 6) 9,412,756
Non-current liabilities	168,040	164,750	161,251	632,231	554,291	532,017	
Total liabilities	Before distribution	5,963,595	7,396,008	7,461,428	9,477,587	10,927,141	9,944,773
	After distribution	6,145,157	7,726,148	(Note 6) 7,791,568	(Note 6) 9,840,740	(Note 6) 11,369,682	(Note 6) 9,944,773
Equity attributable to shareholders of the parent	4,119,298	4,375,458	4,459,596	4,607,611	5,144,977	5,391,595	
Capital stock	1,650,568	1,650,698	1,650,698	1,650,698	1,770,164	1,782,616	
Capital surplus	616,276	616,354	618,773	648,446	843,057	862,300	
Retained earnings	Before distribution	1,840,239	2,050,443	2,164,227	2,335,452	2,612,401	2,841,441
	After distribution	1,658,677	1,720,303	(Note 6) 1,834,087	(Note 6) 1,972,299	(Note 6) 2,169,860	(Note 6) 2,841,441
Other equity interest	12,215	57,963	25,898	(26,985)	(80,645)	(94,762)	
Treasury stock	0	0	0	0	0	0	
Non-controlling interest	3,544	4,094	5,202	(2,416)	(975)	(18,754)	
Total equity	Before distribution	4,122,842	4,379,552	4,464,798	4,605,195	5,144,002	5,410,349
	After distribution	3,941,280	4,049,412	(Note 6) 4,134,658	(Note 6) 4,242,042	(Note 6) 4,671,461	(Note 6) 5,410,349

- Company that has compiled individual financial statement shall also compile individual condensed balance sheet and statement of comprehensive income information for the most recent 5 fiscal years.
- Company that has adopted International Financial Reporting Standards for its financial information less than five years shall compile its financial information with Financial Reporting Standards of the R.O.C. separately.

Notes:

1. The year of financial statement that has not been certified by an accountant shall be stated. The Company's financial statements mentioned above have all been checked and verified by an accountant.
2. Company that has conducted asset-revaluation shall state the date of holding the asset revaluation and the revaluated added amount. This Company hasn't held asset-revaluation in the above-mentioned years.
3. Listed company or company that has its stock listed and traded on the stock exchange shall have the information stated up to the season of the printing of the annual report. Besides, it is also a must to note whether the financial information has or has not been certified and reviewed by accountant. Above 2018 financial statements to March 31 have been reviewed by the accountant.
4. Regarding above-mentioned figures after distribution, please write-in with regards to the resolution of Shareholders' Meeting next year.
5. Financial information that shall be self-corrected or compiled as noted by the competent authority shall list revised or corrected figures, and have its conditions and reasons noted down.
6. Up to the printing of the annual report, the Company's 2017 profit distribution has not yet been approved by Shareholders' Meeting.

(2) Consolidated Condensed Statement of Comprehensive Income – Based on IFRS
(Consolidated Financial Statement)

Unit: NT\$thousands
(Except Earnings Per Share using NT\$.)

Item \ Year	Financial Summary for The Last Five Years (Note1)					As of March 31,2018	
	2013	2014	2015	2016	2017	Financial Information (Note2)	
Operating revenue	14,042,274	14,965,399	18,031,624	18,650,941	20,211,994	5,549,048	
Gross profit	1,543,553	1,759,065	2,014,602	2,247,657	2,301,337	647,419	
Operating Income	252,330	504,299	574,436	700,300	800,699	245,854	
Non-operating Income/expense	27,889	(36,114)	11,953	(27,687)	13,276	(2,146)	
Earnings before tax	280,219	468,185	586,389	672,613	813,975	243,708	
Net income from continuing operations	218,815	384,519	459,985	511,263	648,829	207,393	
Loss from discontinued operations(Note3)	0	0	0	0	0	0	
Net income (loss)	218,815	384,519	459,985	511,263	648,829	207,393	
Other comprehensive income (net after tax)	69,767	53,560	(47,018)	(65,992)	(62,830)	9,662	
Current comprehensive income/loss	288,582	438,079	412,967	445,271	585,999	217,055	
Net earnings attributable to owners of the parent	222,615	384,545	458,724	515,151	652,951	209,671	
Net earnings attributable to non-controlling interest	(3,800)	(26)	1,261	(3,888)	(4,122)	(2,278)	
Comprehensive income/loss attributable to owners of the parent	292,058	437,984	411,859	449,009	589,971	219,339	
Comprehensive income/loss attributable to non-controlling interest	(3,476)	95	1,108	(3,738)	(3,972)	(2,284)	
Earnings per share (in dollars)	Basic earnings per share – current(Note5)	1.35	2.33	2.78	3.12	3.77	1.18
	Diluted earnings per share – current(Note5)	1.34	2.30	2.73	2.95	3.51	1.12
	Adjusted Diluted Earnings per Share(Note6)	1.34	2.30	2.73	2.95	3.51	1.12

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Notes:

1. The year of financial statement that has not been certified by an accountant shall be stated. The Company's financial statements mentioned above have all been checked and verified by an accountant.
2. Listed company or company that has its stock listed and traded on the stock exchange shall have the information stated up to the season of the printing of the annual report. Besides, it is also a must to note whether the financial information has or hasnot been certified and reviewed by accountant. Above 2018 financial statements to March 31 have been reviewed by the accountant.
3. The loss of unit that has suspended the operations shall be listed in net value after deducted the income tax.
4. Financial information that shall be self-corrected or compiled as noted by the competent authority shall list revised or corrected figures, and have its conditions and reasons noted down.
5. Calculated by weighted average outstanding shares of the year.
6. Earning per share of the year shall be calculated based on the weighted average outstanding shares of the year, which are adjusted according to the number of increased shares over the years due to capital increase by earnings.

1.1.2 Separate Financial Information – Based on IFRS

(1) Separate Condensed Balance Sheet – Based on IFRS (Individual Financial Statement)

Unit:NT\$thousands

Year Item	Financial Summary for The Last Five Years (Note1)					
	2013	2014	2015	2016	2017	
Current assets	4,548,885	6,068,094	6,113,781	8,040,543	8,819,329	
Property, Plant and Equipment (note 2)	1,213,528	1,168,848	1,126,399	1,120,544	1,453,359	
Intangible assets	11,097	14,469	12,265	15,515	15,270	
Other assets(note 2)	1,817,484	1,946,783	2,089,477	1,861,272	2,133,410	
Total assets	7,590,994	9,198,194	9,341,922	11,037,874	12,421,368	
Current liabilities	Before distribution	3,304,341	4,658,617	4,720,325	5,773,977	6,716,027
	After distribution	3,485,903	4,988,757	5,050,465	6,137,130	(Note 6) 7,158,568
Non-current liabilities	167,355	164,119	162,001	656,286	560,364	
Non-current liabilities	Before distribution	3,471,696	4,822,736	4,882,326	6,430,263	7,276,391
	After distribution	3,653,258	5,152,876	5,212,466	6,793,416	(Note 6) 7,718,932
Capital stock	1,650,568	1,650,698	1,650,698	1,650,698	1,770,164	
Capital surplus	616,276	616,354	618,773	648,446	843,057	
Retained earnings	Before distribution	1,840,239	2,050,443	2,164,227	2,335,452	2,612,401
	After distribution	1,658,677	1,720,303	1,834,087	1,972,299	(Note 6) 2,169,860
Other equity interest	12,215	57,963	25,898	(26,985)	(80,645)	
Total equity	Before distribution	4,119,298	4,375,458	4,459,596	4,607,611	5,144,977
	After distribution	3,937,736	4,045,318	4,129,456	4,244,458	(Note 6) 4,702,436

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Notes:

1. The year of financial statement that has not been certified by an accountant shall be stated. The Company's financial statements mentioned above have all been checked and verified by an accountant.
2. Company that has conducted asset-revaluation shall state the date of holding the asset revaluation and the revaluated added amount. This Company hasn't held asset-revaluation in the above-mentioned years.
3. Listed company or company that has its stock listed and traded on the stock exchange shall have the information stated up to the season of the printing of the annual report. Besides, it is also a must to note whether the financial information has or has not been certified and reviewed by accountant. Above 2018 financial statements to March 31 have been reviewed by the accountant.
4. Regarding above-mentioned figures after distribution, please write-in with regards to the resolution of Shareholders' Meeting next year.
5. Financial information that shall be self-corrected or compiled as noted by the competent authority shall list revised or corrected figures, and have its conditions and reasons noted down.
6. Up to the printing of the annual report, the Company's 2017 profit distribution has not yet been approved by Shareholders' Meeting.

(2) Separate Condensed Statement of Comprehensive Income – Based on IFRS (Individual Financial Statement)

Unit: NT\$thousands
(Except Earnings Per Share using NT\$.)

Item	Year	Financial Summary for The Last Five Years (Note1)				
		2013	2014	2015	2016	2017
Operating revenue		9,518,958	10,432,963	12,482,462	13,308,343	15,319,550
Gross profit		1,109,391	1,288,867	1,485,761	1,749,009	1,849,529
Operating Income		324,160	520,967	616,331	770,176	875,580
Non-operating Income/expense		(43,368)	(56,129)	(42,814)	(98,650)	(59,192)
Earnings before tax		280,792	464,838	573,517	671,526	816,388
Net income from continuing operations		222,615	384,545	458,724	515,151	652,951
Loss from discontinued operations(Note3)		0	0	0	0	0
Net income (loss)		222,615	384,545	458,724	515,151	652,951
Other comprehensive income (net after tax)		69,443	53,439	(46,865)	(66,142)	(62,980)
Current comprehensive income/loss		292,058	437,984	411,859	449,009	589,971
Earnings per share (in dollars)	Basic earnings per share – current (Note5)	1.35	2.33	2.78	3.12	3.77
	Diluted earnings per share – current (Note5)	1.34	2.30	2.73	2.95	3.51
	Adjusted Diluted Earnings per Share(Note6)	1.34	2.30	2.73	2.95	3.51

- Company that has compiled individual financial statement shall also compile individual condensed balance sheet and statement of comprehensive income information for the most recent 5 fiscal years.
- Company that has adopted International Financial Reporting Standards for its financial information less than five years shall compile its financial information with Financial Reporting Standards of the R.O.C. separately.

Notes:

1. The year of financial statement that has not been certified by an accountant shall be stated. The Company's financial statements mentioned above have all been checked and verified by an accountant.
2. Listed company or company that has its stock listed and traded on the stock exchange shall have the information stated up to the season of the printing of the annual report. Besides, it is also a must to note whether the financial information has or has not been certified and reviewed by accountant. Above 2018 financial statements to March 31 have been reviewed by the accountant.
3. The loss of unit that has suspended the operations shall be listed in net value after deducted the income tax.
4. Financial information that shall be self-corrected or compiled as noted by the competent authority shall list revised or corrected figures, and have its conditions and reasons noted down.
5. Calculated by weighted average outstanding shares of the year.
6. Earning per share of the year shall be calculated based on the weighted average outstanding shares of the year, which are adjusted according to the number of increased shares over the years due to capital increase by earnings.
7. Up to the printing of the annual report, the Company's 2017 profit distribution has not yet been approved by Shareholders' Meeting.

1.2 The uniformed comparison items affecting the current financial report, such as accounting changes, corporate combinations or the discontinuation of business departments: None

1.3 The names and the certifying remarks made by the accountants of the laterst five years:

Years	Accounting Firms	Names of accounts	Certifying remarks
2013	PricewaterhouseCoopers Taiwan	Lin, Chun-Yao & Wong, Shu-rong	Unqualified
2014	PricewaterhouseCoopers Taiwan	Lin, Chun-Yao & Chang, Shu-Chiung	Unqualified
2015	PricewaterhouseCoopers Taiwan	Chang, Shu-Chiung & Lin, Chun-Yao	Unqualified
2016	PricewaterhouseCoopers Taiwan	Lin, Chun-Yao & Chang, Shu-Chiung	Unqualified
2017	PricewaterhouseCoopers Taiwan	Chang, Shu-Chiung & Wong, Shu-rong	Unqualified

Notes: Due to the internal reorganization of the firm, the certifying accountants of the 2011 fiscal year were Kebin Lin and Shu-rong Wong, while the 2014 fiscal year were Kebin Lin and Shu-chiung Chang.

2. Financial Analysis in the past 5 fiscal years

2.1 Below data is analyzed based on IFRS

2.1.1. Consolidated Capital Structure Analysis – IFRS (Consolidated Financial Report)

Year Items (Note4)		Financial Analysis over the last Five Years (Note1)					As of Mar. 31, 2018 (Note 2)
		2013	2014	2015	2016	2017	
Capital structure analysis (%)	Debts Ratio	59.12	62.81	62.56	67.30	67.99	64.77
	Long Term Funds to Fixed Assets	282.30	310.94	325.88	377.18	305.66	288.66
Liquidity analysis (%)	Current Ratio	138.17	135.43	136.04	137.68	131.53	134.84
	Quick Ratio	99.99	101.87	99.78	102.89	94.30	96.41
	Interest Guarantee (times)	12.58	16.47	16.15	12.88	13.98	16.39
Operating performance analysis	Average Collection Turnover (times)	4.72	4.60	5.14	4.55	4.45	5.23
	Average Collection Days	77	79	71	80	82	70
	Average Inventory Turnover (times)	3.44	3.10	3.43	3.44	2.96	3.19
	Average Payables Turnover (times)	4.33	3.67	4.13	4.16	3.90	4.20
	Average Inventory Turnover Days	106	118	106	106	123	114
	Fixed Asset Turnover (times)	9.60	10.04	12.52	13.28	12.43	11.32
	Total Asset Turnover (times)	1.47	1.37	1.52	1.43	1.34	1.41
Return on investment analysis	Return on Total Asset (%)	2.50	3.75	4.15	4.29	4.65	5.60
	Return on Total Equity (%)	5.39	9.04	10.40	11.27	13.31	15.72
	Pre-tax Profit to Capital Stocks (%) (Note 8)	15.29	28.36	35.52	40.75	45.98	54.69
	Net Income to Sales (%)	1.56	2.57	2.55	2.74	3.21	3.74
	Earnings per Share (NT) (Note 3)	1.35	2.33	2.78	3.12	3.77	1.18
Cash flow analysis	Cash Flow Ratio (%)	(3.97)	7.85	(2.70)	(2.71)	12.10	3.87
	Cash Flow Adequacy Ratio (%) (Note 6)	84.48	56.44	14.85	5.28	26.81	47.21
	Cash Flow Reinvestment Ratio (%)	(7.16)	6.71	(8.89)	(8.65)	12.69	5.00
Leverage	Operating Leverage	4.36	2.62	2.65	2.46	2.17	2.09
	Financial Leverage	1.11	1.06	1.07	1.09	1.08	1.07

Note on variation in capital ratio in the previous two years (Not applicable if the variation is < 20%)

1. Earning-Generating Analysis :

Earnings per share ratio rises: which primarily attributes to a steady rebound of the semiconductor, optoelectronics and other electronics industry outlook in 2017, as aided by a surge in the cross-strait productivity expansion synergy, where the various industries' client order requirements rising, propelling the 2017's operating income, gross profit and operating gain to rise, coupled with the investment gain derived from liquidating financial asset, buoying the 2017 pretax net profit, current period's net profit and current period's total general (loss) or gain to rise than that in 2016

2. Cash Flow Analysis :

- (1) Cash flow ratio rises: Which primarily attributes to an increase to the 2017 business activity net cash inflow, and its propensity of increase also greater than the propensity of increase in real estate, plant, equipment and related investment expenditure, buoying the 2017 cash flow equivalency ratio to rise than that in 2016.
- (2) Cash flow equivalent ratio rises: which primarily attributes to an increase in business activity net cash inflow in the most recent five years, resulting in the 2017 cash flow equivalent ratio to rise than that in 2016.
- (3) Rise in cash reinvestment ratio: which primarily attributes to an increase to the 2017 business activity net cash inflow, and the propensity of increase is greater than that in real estate, plant, equipment and related capital expenditure, resulting in the cash flow reinvestment ratio to rise than that in 2016.

* Entity capital ratio analysis should be included if an entity report is filed

* For any data adopts IFRS reporting standard for less than five years should file a separate report that adheres to local accounting principles.

Note 1 : Special note should be added to those years that were not audited by a certified accountant. All financial data included in this report has completed the due audit process.

Note 2 : Public companies should disclose up to the quarter of publication. Special note should be added to whether the data had been subject to audits. All financial data included in this report (as of 2018/3/31) has completed the due audit process

Note 3 : Adjusted for diluted EPS

Note 4 : The following formulas should be shown at the end of the report

1. Financial structure

(1) Debt ratio = Total liabilities / Total Assets

(2) Ratio of long-term capital to fixed assets = (Shareholders' equity + noncurrent liabilities) / Net property, plant and equipment

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets - inventories - prepaid expenses) / Current liabilities

(3) Interest earned ratio (times) = Earnings before interest and taxes / Interest expenses

3. Operating performance

(1) Accounts receivable turnover (times) (includes accounts collectable & checks collectable) = Net sales / Average trade receivables (includes accounts collectable & checks collectable)

(2) Average collection period = 365 / Accounts receivable turnover (times)

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

(4) Accounts payable turnover (times) (includes accounts payable & checks payable) = Cost of goods sold / Average payable (includes accounts payable & checks payable)

(5) Average days in sales = 365 / Inventory turnover (times)

(6) Fixed assets turnover (times) = Net sales / Average net property, plant and equipment

(7) Total assets turnover (times) = Net sales / Average total Asset

4. Profitability

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

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

(3) Profit ratio = Net income / Net sales

(4) Earnings per share = (Net income attributable to shareholders of the parent - preferred stock dividend) / Weighted average number of shares outstanding (note 5)

5. Cash flow

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

(2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3) Cash reinvestment ratio = (Cash provided by operating activities - cash dividends) / (Gross property, plant and equipment + Long-term Investments + Other Noncurrent Assets + working capital) (note 6)

6. Leverage

(1) Operating leverage = (Net sales - variable cost) / Income from operations (note 7)

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

Note 5 : the above formulas should note the following:

1. weighted average number of common share, not outstanding number of shares

2. capital increase by cash or common stock buyback should be calculated average weighted number of shares

3. Annual or semiannual EPS should be calculated by capital increase ratio for those by profit or by additional paid in capital, regardless of the issuance period.

4. If preferred stocks are non-convertible and accumulative, dividend should always be deducted from net profit, or added to net loss, regardless of distribution. If the preferred stock is non-accumulative, the dividend should be deducted from net profit, if there is a loss, then no adjustment is required.

Note 6 : Cash analysis should note the following:

1. net operating cash flow is net cash inflow in the cash flow statement

2. capital expenditure is the annual net cash outflow

3. increase in inventory is only added when EOP balance is greater than BOP balance. If the balance is negative, than the increase will be null.

4. cash dividend includes common stocks and preferred stocks

5. gross fixed asset has taken consideration of accumulative depreciation

Year 2011 and 2012 adopts IFRS. All other years' report adhere to the local accounting regulation.

Note 7 : issuer should classify the operating costs & expenses as fixed and variable accordingly. Prudence, rationality and consistency should be exercised while items are subjected to view.

Note 8 : Stocks with no face value or a face value that is not NTD 10 are included in group equity ratio

2.1.2. Entity Capital Structure Analysis – IFRS(Individual Financial Statement)

Items (Note4)		Financial Analysis over the last Five Years (Note1)				
		2013	2014	2015	2016	2017
Financial structure (%)	Debts ratio	45.73	52.43	52.26	58.26	58.58
	Ratio of long-term capital to property, plant and equipment	353.24	388.38	410.30	469.76	392.56
Solvency (%)	Current ratio	137.66	130.26	129.52	139.25	131.32
	Quick ratio	96.58	98.92	93.04	100.19	90.05
	Interest earned ratio (times)	126.92	158.04	71.28	55.50	71.29
Operating performance	Accounts receivable turnover (times)	5.23	5.08	5.52	5.10	5.15
	Average collection period	70	72	66	72	71
	Inventory turnover (times)	2.88	2.95	3.35	3.55	3.05
	Accounts payable turnover (times)	4.19	3.43	3.85	4.06	4.02
	Average days in sales	127	124	109	103	120
	Property, plant and equipment turnover (times)	8.25	8.76	10.88	11.85	11.90
	Total assets turnover (times)	1.28	1.24	1.35	1.31	1.31
Profitability	Return on total assets (%)	3.01	4.61	5.02	5.16	5.65
	Return on stockholders' equity (%)	5.49	9.05	10.38	11.36	13.39
	Pre-tax income to paid-in capital (%) (Note 8)	17.01	28.16	34.74	40.68	46.12
	Profit ratio (%)	2.34	3.69	3.67	3.87	4.26
	Earnings per share (NT\$) (Note 3)	1.35	2.33	2.78	3.12	3.77
Cash flow	Cash flow ratio (%)	4.80	13.55	4.82	2.03	11.16
	Cash flow adequacy ratio (%) (Note 6)	117.52	100.50	50.51	45.60	40.23
	Cash reinvestment ratio (%)	(0.12)	8.44	(1.88)	(3.45)	11.32
Leverage	Operating leverage	2.63	2.02	1.99	1.92	1.79
	Financial leverage	1.01	1.01	1.01	1.02	1.01

Note on variation in capital ratio in the previous two years (Not applicable if the variation is < 20%)

1.Solvency :

Rise in interest safeguard multiplier: which mainly attributes to the 2017 profit growth and reduced financing cost, buoying the 2017 interest safeguard multiplier to rise than that in 2016.

2.Operating Performance Analysis:

Earnings per share ratio rises: which primarily attributes to a steady rebound of the semiconductor, optoelectronics and other electronics industry outlook in 2017, as aided by a surge in the cross-strait productivity expansion synergy, where the various industries' client order requirements rising, propelling the 2017's operating income, gross profit and operating gain to rise, coupled with the investment gain derived from liquidating financial asset, buoying the 2017 pretax net profit, current period's net profit and current period's total general (loss) or gain to rise than that in 2016.

3.Cash Flows :

(1) Rise in cash flow ratio: which primarily attributes to an increase to the 2017 profit growth and accounts receivable, an increase in business activity net cash inflow, buoying the cash flow ratio to rise than that in 2016.

(2) Rise in cash reinvestment ratio: which primarily attributes to an increase to the 2017 business activity net cash inflow, and the propensity of increase is greater than that in real estate, plant, equipment and related capital expenditure, resulting in the cash flow reinvestment ratio to rise than that in 2016.

* Companies with its own financial statement shall prepare individual financial ratio analysis .

* Company who prepare financial reports under IFRSs, International Financial Reporting Standards less than five years shall prepare another financial report under Financial Accounting Standards, Taiwan.

Note 1: Company shall notify financial reports of which year are not being audited and certified by a certified public accountant. We've had our financial reports audited and certified by a certified public accountant within five years

Note 2: Public company or company which trades securities on over-the-counter markets shall have financial information by last season of annual report published date of the year incorporated into analysis.

Note 3: Number of shares increased annually due to surplus or additional paid in capital have been retroactively adjusted in basic earning per share calculation.

Note 4: Calculation formula shown as below shall be listed in the end of annual reports:

1. Financial structure

(1) Debt ratio = Total liabilities / Total Assets

(2) Ratio of long-term capital to fixed assets = (Shareholders' equity + noncurrent liabilities) / Net property, plant and equipment

2. Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets - inventories - prepaid expenses) / Current liabilities

(3) Interest earned ratio (times) = Earnings before interest and taxes / Interest expenses

3. Operating performance

(1) Accounts receivable turnover (times) (includes accounts collectable & checks collectable) = Net sales / Average trade receivables (includes accounts collectable & checks collectable)

(2) Average collection period = 365 / Accounts receivable turnover (times)

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

(4) Accounts payable turnover (times) (includes accounts payable & checks payable) = Cost of goods sold / Average payable (includes accounts payable & checks payable)

(5) Average days in sales = 365 / Inventory turnover (times)

(6) Fixed assets turnover (times) = Net sales / Average net property, plant and equipment

(7) Total assets turnover (times) = Net sales / Average total Asset

4. Profitability

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

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

(3) Profit ratio = Net income / Net sales

(4) Earnings per share = (Net income attributable to shareholders of the parent - preferred stock dividend) / Weighted average number of shares outstanding (note 5)

5. Cash flow

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

(2) Cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividend

(3) Cash reinvestment ratio = (Cash provided by operating activities - cash dividends) / (Gross property, plant and equipment + Long-term Investments + Other Noncurrent Assets + working capital) (note6)

6. Leverage

(1) Operating leverage = (Net sales - variable cost) / Income from operations (note 7)

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

Note 5: Please refer to the followings in calculation formula of earnings per share:

1. Based on weighted-average ordinary shares instead of stock shares issued by the end of the year.

2. Companies with seasoned equity offering or treasury stock trading shall take its circulation period into calculation of weighted-average shares.

3. Companies with capital increase out of surplus or additional paid in capital shall have annual or semi annual earning per share calculation retroactively adjusted instead of release duration.

4. The annual dividend (whether payout or not) of non-convertible cumulative preferred shares shall consider net profit or loss after tax deduction. When there's net profit after tax deduction in non-cumulative preferred shares, the dividend shall be deducted from net profit after tax deduction; No adjustment needed when loss

Note 6: Please refer to the followings in cash flows analysis:

1. Net cash flow from operating activities refers to net cash inflows of operating activities in statements of cash flows.

2. Capital expenditures refers to annual amount of cash outflows in capital investment.

3. Inventory increase shall only be counted when the ending balance is greater than the opening balance. Count as 0 when ending inventory decrease.

4. Cash dividend includes cash dividend in ordinary shares and preferred shares.

5. Gross of real estate, plant and equipment refers to the net of accumulated depreciation of real estate, plant and equipment

Financial information of cash flows adequacy ratio within five years above from 2011 to 2012 were under financial information of IFRSs, International Financial Reporting Standards, and calculated under Financial Accounting Standards Board, Taiwan in other years.

Note 7: Issuing entity shall divide each operating costs and operating expenses into fixed and changes by its property, maintain consistency and rationality while estimates or subjective judgements involved.

Note 8: Shares of no value or none-NTD.10 value per share, the calculation of accounts paid in capital ratio above shall be altered to equity ratio attributable to owner of parent company in balance sheet

3. Audit Committee's Report in the most recent fiscal year

Marketech International Corp.

Audit Committee Audit Report

To: Members of the 2018 Shareholders' Meeting

We, as the Audit Committee of MIC Group, have audited the 2017 Business Report, Financial Statements and Earnings Distribution Proposal made and submitted by the board of directors. The said Financial Statements were audited by Independent Accountant Chang Shu-Chiung and Independent Accountant Weng Shih-Jung of Pricewaterhouse Coopers (PwC) Taiwan, and are supported with an audit report issued by PwC. We believe that there is no inconsistent information of aforementioned Business Report, Financial Statements and Earnings Distribution Proposal and hereby submit these documents to you according to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act.

Sincerely yours,

Chairperson of Audit Committee, Lin Hsiao-Min

February 26, 2018

4. Consolidated Financial Statement in the most recent fiscal year : please refer to this year's report page 206 to 297
5. Separate Financial Statement of the Parent Company and Related Party in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report : please refer to this year's report page 298 to 376
6. Financial difficulties of the Company and Related Party in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report: None.

Part 7 Review of Financial Conditions, Operating Results, and Risk Management

1. Analysis of Financial Position

1.1 Analysis of the consolidated financial situation (consolidated financial statement)

1.1.1. The last two annual balance sheets reported significant changes and impact on the assets and liabilities, owing to:

Unit: NT\$thousands ; %

Description \ Year	As of December 31,2017	As of December 31,,2016	Difference	
			Amount	%
Current assets	13,643,594	12,178,315	1,465,279	12.03
Property, plant and equipment	1,864,277	1,388,586	475,691	34.26
Intangible assets	20,115	21,619	(1,504)	(6.96)
Other assets	543,157	494,262	48,895	9.89
Total assets	16,071,143	14,082,782	1,988,361	14.12
Current liabilities	10,372,850	8,845,356	1,527,494	17.27
Non-current liabilities	554,291	632,231	(77,940)	(12.33)
Total liabilities	10,927,141	9,477,587	1,449,554	15.29
Capital stock	1,770,164	1,650,698	119,466	7.24
Capital surplus	843,057	648,446	194,611	30.01
Retained earnings	2,612,401	2,335,452	276,949	11.86
Other equity interest	(80,645)	(26,985)	(53,660)	(198.85)
Equity attributable to shareholders of the parent	5,144,977	4,607,611	537,366	11.66
Non-controlling interests	(975)	(2,416)	1,441	59.64
Total equity	5,144,002	4,605,195	538,807	11.70
Analysis of ratio of change: (if the change is greater than 20% and the amount changed is NT\$10,000,000)				
(1) Increase in real estate, plant and equipment: which primarily stems from plant purchase and additional production-related equipment purchase in 2017, and pushes the real estate, plant and equipment by the end of 2017 to rise than that in 2016.				
(2) Increase in capital reserve: which primarily attributes to company issuing convertible corporate bond holders exercising converting into the common shares in 2017, resulting in a premium on the issuance of common shares.				
(3) Decrease in other equity: which primarily stems from U.S. dollar exchange rate depreciation in 2017, pushing the exchange differential on converted foreign operating entities' financial statements to drop. The exchange differential arisen from structured financial statement conversion reduces than that in 2016.				

1.1.2. If significant changes are felt, they should be indicated in future response plans:

Changes in the Group's last two annual balance sheets did not have any significant impact. The group continued to focus on improving the business performance, the stability of its earnings and the company's financial structure in order to reduce the financial burden.

1.2 Analysis of the individual financial situation (individual financial statement)

1.2.1. The last two annual balance sheets reported significant changes and impact on the Assets and Liabilities, owing to:

Unit : NT\$ thousands ; %

Description \ Year	As of December 31,2017	As of December 31,2016	Difference	
			Amount	%
Current assets	8,819,329	8,040,543	778,786	9.69
Property, plant and equipment	1,453,359	1,120,544	332,815	29.70
Intangible assets	15,270	15,515	(245)	(1.58)
Other current assets	2,133,410	1,861,272	272,138	14.62
Total assets	12,421,368	11,037,874	1,383,494	12.53
Current liabilities	6,716,027	5,773,977	942,050	16.32
Non-current liabilities	560,364	656,286	(95,922)	(14.62)
Total liabilities	7,276,391	6,430,263	846,128	13.16
Capital stock	1,770,164	1,650,698	119,466	7.24
Capital surplus	843,057	648,446	194,611	30.11
Retained earnings	2,612,401	2,335,452	276,949	11.86
Other equity interest	(80,645)	(26,985)	(53,660)	(198.85)
Total equity	5,144,977	4,607,611	537,366	11.66
Analysis of ratio of change: (if the change is greater than 20% and the amount changed is NT\$10,000,000)				
(1) Increase in real estate, plant and equipment: which primarily stems from plant purchase and additional production-related equipment purchase in 2017, and pushes the real estate, plant and equipment by the end of 2017 to rise than that in 2016.				
(2) Increase in capital reserve: which primarily attributes to company issuing convertible corporate bond holders exercising converting into the common shares in 2017, resulting in a premium on the issuance of common shares.				
(3) Decrease in other equity: which primarily stems from U.S. dollar exchange rate depreciation in 2017, pushing the exchange differential on converted foreign operating entities' financial statements to drop. The exchange differential arisen from structured financial statement conversion reduces than that in 2016.				

1.2.2. If significant changes are felt, they should be indicated in future response plans:

Changes in the company's last two annual balance sheets did not have any significant impact. The company continued to focus on improving the business performance, the stability of its earnings and the company's financial structure in order to reduce the financial burden.

2. Analysis of Financial Performance

2.1 Consolidated Financial Performance Analysis (consolidated financial statement)

2.1.1. The last two Profit and Loss accounts reported significant changes in net profit and pre-tax profit, owing to:

Unit : NT\$ thousands ; %
(In addition to earnings per share, NT\$)

r Description	Year	2017	2016	Amount increased (decreased)	Proportion change (%)
	Net Operating Income		20,211,994	18,650,941	1,561,053	8.37
Operating Cost		17,910,657	16,403,284	1,507,373	9.19
Gross profit		2,301,337	2,247,657	53,680	2.39
Operating expenses		1,500,638	1,547,357	(46,719)	(3.02)
Operating income from operations		800,699	700,300	100,399	14.34
Non-operating income and expenses		13,276	(27,687)	40,963	147.95
Income before tax		813,975	672,613	141,362	21.02
Income Tax		165,146	161,350	3,796	2.35
Net Income of Continuing Operations		648,829	511,263	137,566	26.94
Income from discontinued operations		0	0	0	0
Net income		648,829	511,263	137,566	26.94
Other comprehensive income (income after tax)		(62,830)	(65,992)	3,162	4.79
Total comprehensive income		585,999	445,271	140,728	31.61
Net income attributable to shareholders of the parent		652,951	515,151	137,800	26.75
Net income attributable to noncontrolling interests		(4,122)	(3,888)	(234)	(6.02)
Total comprehensive income attributable to shareholders of the parent		589,971	449,009	138,962	30.95
Total comprehensive income attributable to the noncontrolling interests		(3,972)	(3,738)	(234)	(6.26)
EPS(NT\$)	Basic EPS for current period	3.77	3.12	0.65	20.83
	Diluted EPS for current period	3.51	2.95	0.56	18.98

(1) The company's analysis of change in the profit and loss ratio for the past two years shows that if the operating margin changes by more than 20%, then a different analysis should be made as in (2).

Change in the proportion of variation analysis: (if the change is greater than 20% and the amount changed is NT\$10,000,000)

- ① Increase in non-operating revenue and expenditure net gains: which primarily attributes to a drop in the 2017's exchange loss and increase in financial asset liquidation gain, buoying the net amount of nonoperating income and expenditure to be in net gain.
- ② Increase to pretax net profit, current period's net profit and current period's total general gains: which primarily attributes to a steady rebound in the semiconductor, optoelectronics and other electronics and related industries in 2017, aided by the cross-strait productivity expansion gains and a rise in various industries' client orders, buoying the 2017 operating revenue, gross profit and operating profit to rise, and thanks to an increase in non-operating receipt/expenditure's net gain, buoying the 2017 pretax net profit, current period's net profit and current period's general total gains to rise than that in 2016.

r Description	Year		Amount increased (decreased)	Proportion change (%)
	2017	2016		
③ Increase to earnings per share: which primarily stems from an increase to the 2017 current period's net earnings, buoying the earnings per share to rise that than in 2016 (2) Analysis of changes in operating margins: ① Change description: Since change is less than 20%, no explanation is required. ② Price and volume analysis: Not applicable.				

2.1.2. Expected sales volume and its possible impact on the company's future financial operations and the response plan:

The forecast of the Group's sales or service volumes in 2018 aims to assess changes of the industry conditions, future business environment, company and department's operation plans, market supply and demand, and future development plan. It is compiled under reasonable assumptions including the operating performance of 2017 and orders to be released. Therefore, it does not have big impacts on the Group's finances.

2.2 Individual Financial Performance Analysis (individual financial statement)

2.2.1. The last two Profit and Loss accounts reported significant changes in net profit and pre-tax profit, owing to:

Unit : NT\$ thousands ; %
(In addition to earnings per share, NT\$)

Description		Year		Amount increased (decreased)	Proportion change (%)
		2017	2016		
Net Operating Income		15,319,550	13,308,343	2,011,207	15.11
Operating Cost		13,470,021	11,559,334	1,910,687	16.53
Gross profit		1,849,529	1,749,009	100,520	5.75
Operating expenses		973,949	978,833	(4,884)	(0.50)
Operating income from operations		875,580	770,176	105,404	13.69
Non-operating income and expenses		(59,192)	(98,650)	39,458	40.00
Income before tax		816,388	671,526	144,862	21.57
Income Tax		163,437	156,375	7,062	4.52
Net Income of Continuing Operations		652,951	515,151	137,800	26.75
Income from discontinued operations		0	0	0	0
Net income		652,951	515,151	137,800	26.75
Other comprehensive income (income after tax)		(62,980)	(66,142)	3,162	4.78
Total comprehensive income for the year		589,971	449,009	140,962	31.39
EPS(NT\$)	Basic EPS for current period	3.77	3.12	0.65	20.83
	Diluted EPS for current period	3.51	2.95	0.56	18.98

Description	Year		Amount increased (decreased)	Proportion change (%)
	2017	2016		
<p>(1)The company's analysis of change in the profit and loss ratio for the past two years shows that if the operating margin changes by more than 20%, then a different analysis should be made as in (2).Change in the proportion of variation analysis: (if the change is greater than 20% and the amount changed is NT\$10,000,000)</p> <p>①Decrease in operating revenue and expenditure net loss: which primarily attributes to a decrease on investment loss amount as classified using the equity method, contributing to a decrease in nonoperating receipt/expenditure and expenditure net loss than that in 2016.</p> <p>② Increase to pretax net profit, current period's net profit and current period's total general gains: which primarily attributes to a steady rebound in the semiconductor, optoelectronics and other electronics and related industries in 2017, aided by the cross-strait productivity expansion gains and a rise in various industries' client orders, buoying the 2017 operating revenue, gross profit and operating profit to rise, and thanks to an increase in non-operating receipt/expenditure's net gain, buoying the 2017 pretax net profit, current period's net profit and current period's general total gains to rise than that in 2016.</p> <p>③Increase to earnings per share: which primarily stems from an increase to the 2017 current period's net earnings, buoying the earnings per share to rise that than in 2016</p>				
<p>(2)Analysis of changes in operating margins:</p> <p>① Change description: Since change is less than 20%, no explanation is required.</p> <p>② Price and volume analysis: Not applicable.</p>				

2.2.2. Expected sales volume and its possible impact on the company's future financial operations and the response plan:

The forecast of the Company's expected sales or service volume in 2018 was prepared mainly according to evaluations of economic changes in the industry, future business environment, operational plans of the Company and its departments, supply and demand in the market, future development plans, etc. and also referred to 2017 annual business performance under reasonable assumptions of unfinished production of orders, which has no significant impact on the Company's results of operations and financial position.

3. Analysis of Cash Flow

Analyses of cash flows in the future one year from changes of cash flows in the latest year:

3.1 Analysis of consolidated cash flows (Consolidated Financial Statements)

3.1.1. Changes of cash flows in the latest year

Unit : NT\$ thousands

Cash and cash equivalents at beginning of period (December 31, 2016)	Net cash flow from operating activities for the entire year	Net cash flow from investing activities for the entire year	Net cash flow from financing activities for the entire year	Effects of exchange rate change on cash	Cash and cash equivalents at end of period (December 31, 2017)
1,752,244	1,254,809	(640,379)	(25,438)	(40,664)	2,300,572

Analyses of changes in cash flows for the year (2017) are as follows:

- ①Net operating activity cash inflow at \$1,254,809,000, which primarily attributes to operating activity net cash inflow derived from profit growth and increase to accounts receivable.
- ②Investment activity net cash outflow at \$640,379,000, which primarily stems from building, purchasing real estate, plant, and equipment in response to operating and manufacture needs.
- ③Capital raising activity net cash outflow at \$25,348,000, which primarily stems from cash outflow in cash dividend distribution exceeding cash inflow on bank loans and employee exercising share pledging, resulting in a net cash outflow in capital raising activity.

Thus, the cash flow in 2017 was net cash inflow resulting in an increase in the cash balance in the end of the year compared to the beginning of the year.

3.1.2. Liquidity analysis in the latest year

Unit: %

Year Item	2017	2016	Variance(%)
Cash Flow Ratio	12.10	(2.71)	546.49
Cash Flow Adequacy Ratio	26.81	5.28	407.77
Cash Reinvestment Ratio	12.69	(8.65)	246.71
Analyses of changes in the proportion of increase & decrease: (Explanation for analyses of the proportion of increase & decrease above 20% between two periods)			
(1) Cash flow ratio rises: which primarily attributes to profit growth and active collection on customer accounts receivable, buoying business activity cash flow to rise, pushing the 2017 cash flow ratio to rise than that in 2016.			
(2) Cash flow equivalent ratio rises: which primarily attributes to an increase to business activity net cash inflow in the most recent five years, driving the 2017 cash flow equivalent ratio to rise than that in 2016.			
(3) Rise in cash reinvestment ratio: which primarily attributes to an increase to the 2017 business activity net cash inflow, and the propensity of increase is greater than that in real estate, plant, equipment and related capital expenditure, resulting in the cash flow reinvestment ratio to rise than that in 2016.			

3.1.3. Liquidity analysis in the future one year

Unit : NT\$ thousands

Cash and cash equivalents at beginning of period (December 31, 2017)①	Net cash flow from operating activities ②	Cash outflow③	Cash surplus (deficit) ①+②-③	Leverage of cash deficit	
				Investment plans	Financing plans
2,300,572	369,607	(342,664)	2,327,515	Not applicable	
(1) Analyses of expected changes in cash flows for the year (2018) are as follows:					
① Operating activities: Net cash provided by operating activities is expected for the future one year mainly due to the business growth and the increase in cash collections of accounts receivables, and the net cash inflow was generated.					
② Investing activities: Net cash used in investing activities is expected for the future one year mainly due to the increase in long-term investments and the purchase of assets such as equipment.					
③ Financing activities: Net cash used in financing activities is expected for the future one year mainly due to the distribution of cash dividends.					
(2) Contingency plans expected for projected insufficient cash position and the liquidity analysis: Not applicable.					

3.2 Analysis of individual cash flows (Individual Financial Statements)

3.2.1. Changes of cash flows in the latest year

Unit : NT\$ thousands

Cash and cash equivalents at beginning of period (December 31, 2016)	Net cash flow from operating activities for the entire year	Net cash flow from investing activities for the entire year	Net cash flow from financing activities for the entire year	Cash and cash equivalents at end of period (December 31, 2017)
881,517	749,694	(841,775)	(38,544)	750,892
Analyses of changes in cash flows for the year (2017) are as follows:				
① Net operating activity cash inflow at \$749,694, which primarily attributes to operating activity net cash inflow derived from profit growth and increase to accounts receivable.				
② Investment activity net cash outflow at \$841,775,000, which primarily stems from an increment in investment using the equity method, and purchase of real estate, plant and equipment in response to operating and manufacture needs.				
③ Capital raising activity net cash outflow at \$38,544, which primarily stems from cash outflow in cash dividend distribution exceeding cash inflow on bank loans and employee exercising share pledging, resulting in a net cash outflow in capital raising activity.				
By recapping the above, the 2017 yearly cash flow being a net cash outflow, resulting in a decrease on ending cash balance than the starting cash balance				

3.2.2. Liquidity analysis in the latest year

Unit: %

Item \ Year	2017	2016	Variance (%)
Cash Flow Ratio	11.16	2.03	9.13
Cash Flow Adequacy Ratio	40.23	45.60	-5.37
Cash Reinvestment Ratio	11.32	(3.45)	14.77
Analyses of changes in the proportion of increase & decrease: (Explanation for analyses of the proportion of increase & decrease above 20% between two periods)			
(1) Rise in cash flow ratio: which primarily attributes to an increase to the 2017 profit growth and accounts receivable, an increase in business activity net cash inflow, buoying the cash flow ratio to rise than that in 2016.			
(2) Rise in cash reinvestment ratio: which primarily attributes to an increase to the 2017 business activity net cash inflow, and the propensity of increase is greater than that in real estate, plant, equipment and related capital expenditure, resulting in the cash flow reinvestment ratio to rise than that in 2016.			

3.2.3. Liquidity analysis in the future one year

Unit : NT\$ thousands

Cash and cash equivalents at beginning of period (December 31, 2017)①	Net cash flow from operating activities for the entire year②	Cash outflows for the entire year③	Cash surplus (deficient) ①+②-③	Contingency plans for projected insufficient cash position	
				Investment plans	Financial plans
750,892	854,850	(769,757)	835,985	Not applicable	
(1) Analyses of expected changes in cash flows for the year (2018) are as follows: ① Operating activities: Net cash provided by operating activities is expected for the future one year mainly due to the business growth and the increase in cash collections of accounts receivables, and the net cash inflow was generated. ② Investing activities: Net cash used in investing activities is expected for the future one year mainly due to the increase in long-term investments and the purchase of assets such as equipment. ③ Financing activities: Net cash used in financing activities is expected for the future one year mainly due to the distribution of cash dividends.					
(2) Contingency plans expected for projected insufficient cash position and the liquidity analysis: Not applicable.					

4. The Effect upon Financial Operations of any major capital expenditures during the most recent fiscal year:

4.1 Operation condition of major capital expenditure and its capital resources in recent years: none.

4.2 Expected benefits: Not applicable

5. Investment Policy in the most recent fiscal year, Main Causes for profits or losses, Improvement Plans and the Investment Plans for the coming year:

5.1 Shift Policies in Investment in Recent Years

Based on the requirements of expanding business and enlarge service customers, the Group has invested and set service and dealing bases in Singapore, South Korea, Shanghai, Wuxi, Vietnam, Malaysia and Myanmar etc, so as to establish sales and service network and service customers in the neighborhood, and thus to improve market share and competitiveness of the company. In 2016, the group took product development and district development of the industry as the investment spindle and continued expand service fields. With regional resource distribution and integrated flexible scheduling support, the Group gave full play to the complementary synergy effect and improved business efficiency and scale. It will keep a foothold in Asia and become an integrated system service dealer with international reputation for professional high-tech industry process equipments, materials and factory service system facilities etc.

5.2. Causes Analysis of Benefits and Losses of Shift in Investment

Unit: A Thousand TWD : %
Dec. 31, 2017

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
Direct Investment							
Marketch Integrated Pte .Ltd. (shortened as MIPL)	Directly invested subsidiary of the Company	100%	(6,081)	(15,988)	Losses in 2017 were mainly caused by reduction of hired engineering business and plant service system and the whole plant turnkey project revenue are insufficient to cope with the operation costs and expenses. Losses are shown, so it is listed as investment losses in current period.	MIPL is mainly engaged in automation supply systems business in the semiconductor industry. With the increased market demands in Southeast Asia, the company will expand agent business actively in the future and strengthen costs and expenses control. It will make a profit instead of suffering a loss and have balances to the parent company's investment benefits.	Take timely assessment according to the market requirements and industry development.
Market Go Profits Ltd. (shortened as Market Go)	Directly invested subsidiary of the Company	100%	1,038,755	(74,893)	It is the holding company of abroad shift investment business. Investment losses in 2017 were mainly caused by losses of indirectly invested subsidiary in mainland.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Headquarter International Ltd. (shortened as Headquarter)	Directly invested subsidiary of the Company	100%	37,958	(1,179)	It is abroad holding and shift investment business. Major business is to purchase real estate in mainland and provide to local employees for accommodation. The benefits source is rental income. Benefits	With the growth demands of business in mainland, it will expand leasing business scale in the future and have balances to the parent company's investment benefits.	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
					in 2017 were mainly because the rental income is sufficient to cope with operation costs.		
Tiger United Finance Ltd. (shortened as Tiger)	Directly invested subsidiary of the Company	100%	37,107	(646)	It is abroad holding and shift investment business. Major business is to purchase real estate in mainland and provide to local employees for accommodation. The benefits source is rental income. Losses in 2017 were mainly caused by insufficient rental income.	With the growth demands of business in mainland, it will expand leasing business scale in the future and have balances to the parent company's investment benefits.	Take timely assessment according to the market requirements and industry development.
MIC-Tech Global Corp. (shortened as MICK)	Directly invested subsidiary of the Company	100%	7,706	(6,436)	Company business expansion falls short of expected in 2017, as its operating income falls short of covering the operating cost and expenditure to result in deficit.	Supporting the East Asia market's increasing demand, company would continue to develop new business, as it is expected to achieve a turnaround to contribute investment return to the parent company.	Take timely assessment according to the market requirements and industry development.
Marketch Engineering Pte. Ltd. (shortened as MEPL)	Directly invested subsidiary of the Company	100%	2,448	(2,129)	It is the holding company of abroad shift investment business. Investment gains in 2017 were mainly caused by gains of indirectly invested subsidiary in Myanmar.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Marketch Integrated Manufacturing Company Limited (shortened as MIMC)	Directly invested subsidiary of the Company	100%	396,325	(5,590)	Because the sales expansion is still ongoing, our profit in 2017 was mainly from foreign exchange gains.	Established for the increasing demand in Myanmar, MIMC mainly provides design, production and assembly services for equipments and	Take timely assessment according to the market requirements and

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						components of automated production machines. In the future, MIMC will proactively expand its business and efficiently hold its advantages in the market. The scale of its production business will gradually expand and have the profit increased, which will bring benefits to the parent company's investment.	industry development.
MIC-Tech Viet Nam Co., Ltd. (shortened as MIC-Tech VN)	Directly invested subsidiary of the Company	100%	30,802	(1,890)	Company business expansion falls short of expected in 2017, as its operating income falls short of covering the operating cost and expenditure to result in deficit.	MIC-Tech VN mainly focuses on professional engineering works and maintenance service through contracts. In the future, we also plan to increase sales expansion in cooperation with the increase in market demand in Vietnam to effectively grasp the market advantage by increasing the scales of engineering works. Thus, we expect to turn the loss into profit to ensure the beneficial investment return of the parent company on us.	Take timely assessment according to the market requirements and industry development.
Marketch Co.,Ltd. (帆宣責任)	Directly invested subsidiary of the Company	100%	4,002	(5,145)	Company business expansion falls short of expected in 2017, as its operating income falls short of covering the operating cost and expenditure to result in deficit.	Marketch Co., Ltd. is mainly engaged in professional engineering contracting and related maintenance services. With	Take timely assessment according to the market requirements and

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						the increased market demands in Vietnam, the company will expand business actively and master the advantages of existed markets in future. Engineering business will be expanded gradually. It will make a profit instead of suffering a loss and have balances to the parent company's investment benefits.	industry development.
PTMarketech International Indonesia (PTMII)	Directly invested subsidiary of the Company	99.92%	35,649	124	Company business was still in development in 2017, affecting its current period's profitability mainly by bank interest receipt and exchange gains.	PTMII mainly focuses on international trade on machinery and components. In the future, we also plan to increase sales expansion in cooperation with the increase in market demand in Indonesia to effectively grasp the market advantage by increasing the scales of international trade. Thus, we expect to increase profit to ensure the beneficial investment return of the parent company on us.	Take timely assessment according to the market requirements and industry development.
eZoom Information, Inc. (shortened as "eZoom")	Directly invested subsidiary of the Company	100%	31,690	(1,835)	Company business expansion falls short of expected in 2017, as its income in computer information and cloud computing and related	EZoom is mainly engaged in software building tenders and self-developed software business with cloud application services. The	Take timely assessment according to the market requirements and

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
					integration technology falls short of covering the operating cost and expenditure to result in deficit.	company is now in business and human power integration stage. It will expand information and cloud business. It will make a profit instead of suffering a loss and have balances to the parent company's investment benefits.	industry development.
ADAT Technology Co., LTD. (shortened as "ADAT")	Invested company of the Company adopting equity method	83.33%	6,029	(4,765)	Company business was still in development in 2017, resulting in operating losses.	ADAT primarily operates in information software R&D, application and services, and with said company currently at operations and manpower integrating stage, it is actively developing its information and AI business, and is expected to contribute investment gains to the parent company.	Take timely assessment according to the market requirements and industry development.
Glory Technology Service Inc. (shortened as "Glory")	Invested company of the Company adopting equity method	34.11%	46,153	9,152	Main benefits in 2017 were caused by actively business expanding and effectively grasping the market tendency, so that the business income and profits were all in growth tendency.	The company will continue developing new business to increase benefits.	Take timely assessment according to the market requirements and industry development.
MIC techno Co., Ltd.	Invested company of the Company adopting equity method	20%	1,849	(76)	Company business expansion falls short of expected in 2017, as its operating income falls short of covering the operating cost and expenditure to result in deficit.	Huaxuan is mainly engaged in panel equipments and materials sales. The company will continue developing new business to increase benefits,	Take timely assessment according to the market requirements and

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						including development and marketing of laminating machine. The company will enter into touch panel area, and seek sales and OEM opportunities of touch panel materials and products. It will improve operation performance.	industry development.
Marketch Ntherlands B.V. (shortened as MNBV)	Invested company of the Company adopting equity method	100%	10,453	(211)	Company business was still in development in 2017, resulting in operating losses.	MNBV primarily operates in machinery, equipment, parts sales and technical services, with said company currently at operations and manpower integrating stage, it is actively expanding its operations and effectively seizing its market edge, and is expected to achieve a turnaround, to contribute investment gains to the parent company.	Take timely assessment according to the market requirements and industry development.
Marketch International Sdn. Bhd. (shortened as MISB)	Invested company of the Company adopting equity method	51.12%	29,533	5,079	Its 2017 profitability mainly attributes to a steady business development, buoying its revenue and profitability growth, and which also suffices to cover its operating cost and expenditure.	MISB mainly engages in the contracting services of automated supply systems for the semiconductor industry. While the demand in South-East Asia is increasing, the Company aims to proactively expand its business while mastering its advantages in current market and the scale of its	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						engineering services will gradually increased with an expectation to turn the deficit into surplus profits. This surely will bring positive influences to the parent company's investment.	
Indirect investment							
MIC-Tech Ventures Asia Pacific Inc. (shortened as MIC-Tech Ventures)	Shift invested subsidiary of SubsidiaryMarket Go	100%	1,037,010	(74,747)	It is the holding company of abroad shift investment business. Investment losses in 2017 were mainly caused by losses of directly and indirectly invested subsidiary in mainland.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Marketech International Sdn. Bhd. (shortened as MISB)	Shift invested subsidiary of Subsidiary MIPL	48.88%	29,378	5,079	Its 2017 profitability mainly attributes to a steady business development, buoying its revenue and profitability growth, and which also suffices to cover its operating cost and expenditure.	MISB is mainly engaged in automation supply systems business in the semiconductor industry. With the increased market demands in Southeast Asia, he company will expand business actively and master the advantages of existed markets in future. Engineering business will be expanded gradually. It will make a profit instead of suffering a loss and have balances to the parent company's investment benefits.	Take timely assessment according to the market requirements and industry development.
Marketech Integrated Construction Co., Ltd.	Shift invested subsidiary of Subsidiary MEPL	95%	1,906	(2,101)	Company business expansion falls short of expected in 2017,	MICCI is mainly engaged in mechanical and electrical	Take timely assessment

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
(shortened as MICC)					as its operating income falls short of covering the operating cost and expenditure to result in deficit.	installation and other engineering business. With the increased market demands in Southeast Asia, he company will expand business actively and master the advantages of existed markets in future. Engineering business will be expanded gradually. It will make a profit instead of suffering a loss and have balances to the parent company's investment benefits.	according to the market requirements and industry development.
MIC-Tech (Wu Xi) Co., Ltd. (shortened as MTW)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	20,529	(2,055)	Company was at operational transformation and product portfolio reshuffle in 2017, with revenue growth thanks to product development, yet the rising staffing cost, loss on inventory price fall classification, and bad debt losses curtail its business revenue from covering the payable business cost and expenditure, resulting in deficit.	MIT-Tech (Wu Xi) primarily operates in OEM customized equipment and parts assembly, backed by Mainland China's overall mild economic growth trend, it is currently actively expanding its business, including the good and slaughter industry's rear-end automated equipment manufacture, and smart warehousing development. While the capacity utilization of plant gradually increases, MIT-Tech (Wu Xi) is able to effectively reduce the adverse impact of high depreciation	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						on plant machinery/ equipment, and is expected to achieve a turnaround in earnings.	
MIC-Tech (Shanghai) Corp. Ltd. (shortened as MTS)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	337,044	17,980	The profit of 2017 was primarily generated from the income and profit of selling semiconductor equipments and materials.	SMTS is mainly engaged in semi-conductor production, testing equipment and supplies, power generation boilers wholesales, import and export agent and other trade services. The company will continue developing new agent business to increase benefits.	Take timely assessment according to the market requirements and industry development.
Fuzhou Jiwei System Integrated Co., Ltd. (shortened as FJS)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	(1,734)	(895)	Company business expansion falls short of expected in 2017, resulting in operating deficit.	FFJS is mainly engaged in clean room and power system equipment, piping systems equipment installation and other services. China mainland is promoting economic reform and opening up policy actively and encouraging hi-tech industry development continuously. Plus the implementation of westward expansion of hi-industry in Taiwan, related factory facility services demand will be increased. It will make a profit instead of suffering a loss.	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
MIC-Tech Electroics Engineering Corp.. (shortened as MTE)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	469,868	(91,119)	Company business development continues in 2017, but lagging business gross profit, coupled with rising staffing cost and conservative bad debt estimate stall the business gross profit to fall short of covering the payable business expenditure, resulting in operating deficit.	MTEi mainly engages in contracting electrical and electronic engineering construction projects, projects of installing chemical and petrol equipments and pipelines, and relevant maintenance service. To increase the profit, the company will continue to expand its businesses including gas engineering, electrical engineering, production base expansion and purification engineering for biopharmaceutical industry in mainlander China, clean room and air-conditioning installation, and factory affairs system engineering for the semiconductor industry. It is expected the Company will have its deficit turned into profits.	Take timely assessment according to the market requirements and industry development.
MIC-Tech China Trading (Shanghai) Co., Ltd.. (shortened as MCT)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	25,270	(13,502)	Our company's sales and industry expansion in 2017 was not up to expectation and the loss was as a result of a decrease in sales income and gross profit.	SMCT is mainly engaged in import and export business of chemical products, semiconductors, testing equipment, and solar energy equipment, etc. The company will integrated market demand and may increase benefits.	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
SK MIC (WuXi) Corp. (shortened as SKMIC)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	49%	161	(4,861)	Company still reports deficit in 2017, primarily stems from company operations still in an adjustment stage, preventing its revenue and profitability yet to manifest.	SKMIC mainly engages in the design, installation and maintenance of equipments designed for semiconducting components and crystals, equipments designed for electronic components, and environmental pollution prevention equipments. It is therefore expected that the growth of semiconductor industry will help to increase the Company's profit.	Take timely assessment according to the market requirements and industry development.
Rusky H.K. Limited (shortened as Rusky)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	(16,196)	1,854	It is the holding company of abroad shift investment business. Investment losses in 2017 were mainly caused by losses of indirectly invested subsidiary in mainland.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Shanghai Puritic co., Ltd. (shortened as SPC)	Shift invested subsidiary of Subsidiary Rusky	87%	(16,389)	1,317	The profit gained in 2017 was mainly due to our company's active expansion of sales to effectively take advantage of the market trend so that our operating income and profit display a growing trend.	SPC is mainly engaged in waste barrel recycling in semiconductor manufacturing industry, piping systems and related equipment repair and installation services. China mainland is promoting economic reform and opening up policy actively and encouraging hi-tech industry development continuously. Plus the implementation of	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
						westward expansion of hi-industry in Taiwan, related factory facility services demand will be increased. It will increase benefits.	
Chen Gao M&E Engineering (Shanghai) Co., Ltd. (shortened as CMES)	Shift invested subsidiary of Subsidiary Russky	100%	(2,660)	(149)	Company still reports deficit in 2017, primarily stems from company operations still in an adjustment stage, preventing its revenue and profitability yet to manifest.	CMES is mainly engaged in project engineering design of electronics products and project engineering design, related technology, management, consulting and other service of display devices. China mainland takes expanding domestic demand as economic development target. Along with production expansion and continuous construction of all industries, associated electrical and mechanical design and project bidding markets still have increasing demands. It will make a profit instead of suffering a loss.	Take timely assessment according to the market requirements and industry development.
Leader Fortune Enterprise Co., Ltd. (shortened as Leader)	Invested company of Subsidiary MIC-Tech Ventures adopting equity method	31.43%	4,115	6,078	It is the holding company of abroad shift investment business. Investment losses in 2017 were mainly caused by losses of indirectly invested subsidiary in mainland.	Not applicable.	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
Macrotec Technology (Shanghai) Co., Ltd. (shortened as JM)	Invested company of Subsidiary Leader adopting equity method	31.43%	4,105	6,107	Company operation still in an adjustment stage in 2017, while its current period's profitability is affected by exchange gains.	JM is main engaged in back plane agent and sales business and expands development of food equipment agents, group purchase business, channel sales and Internet transactions. With increased demands of green industry, it will make a profit instead of suffering a loss.	Take timely assessment according to the market requirements and industry development.
Frontken MIC Co., Limited (shortened as Frontken MIC)	Invested company of Subsidiary MIC-Tech Ventures adopting equity method	100%	5,636	(401)	It is the holding company of abroad shift investment business. Investment losses in 2017 were mainly caused by the deficit of indirectly invested subsidiary in mainland..	Not applicable.	Take timely assessment according to the market requirements and industry development.
Frontken-MIC (WuXi) Co., Ltd. (shortened as Forken-MIC)	Invested company of Subsidiary Frontken MIC adopting equity method	100%	5,616	(374)	Company still reports deficit in 2017, primarily stems from company operations still in an adjustment stage, preventing its revenue and profitability have yet to manifest.	Forken-MIC is mainly engaged in semiconductor device and equipment cleaning. It will continue expanding business and control cost strictly, and will make a profit instead of suffering a loss.	Take timely assessment according to the market requirements and industry development.
MICT International Limited (shortened as MICT)	Invested company of Subsidiary MIC-Tech Ventures adopting equity method	100%	31,455	(5,152)	It is the holding company of abroad shift investment business. Investment losses in 2017 were mainly caused by the deficit of indirectly invested subsidiary in mainland..	Not applicable.	Take timely assessment according to the market requirements and industry development.

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
Nantong Jianrui Optoelectronics Technology Co., Ltd. (shortened as IMS)	Invested company of Subsidiary Ruixuan adopting equity method	100%	30,712	(5,152)	Company still reports deficit in 2017, primarily stems from company operations still in an adjustment stage, preventing its revenue and profitability have yet to manifest.	IMSiS mainly engaged in semiconductors, flat panel industry, solar and LED industries. It uses differentiation technology and niche products with a small variety and high added values as Market Segment. It will make a profit instead of suffering a loss in future.	Take timely assessment according to the market requirements and industry development.
PT Marketech International Indonesia (shortened as PTMII)	Invested company of Subsidiary Russkys adopting equity method	0.08%	30	124	Company operation still in development in 2017, while its current period's profitability is affected mainly by bank interest receipt and exchange gains.	PTMII mainly focuses on international trade on machinery and components. In the future, we also plan to increase sales expansion in cooperation with the increase in market demand in Indonesia to effectively grasp the market advantage by increasing the scales of international trade. Thus, we expect to increase profit to ensure the beneficial investment return of the parent company on us.	Take timely assessment according to the market requirements and industry development.

Note 1: The table discloses subsidiaries directly and indirectly invested by the Company and information of invested company of the Company or subsidiaries using equity method by the end of December 31, 2017.

Note 2: It is the investment book amount by the end of December 31, 2017.

6. Analysis of Risk Management

6.1 By the latest annual report and the publish date of the annual report this year, the impact of the interest rate, exchange rate changes and inflation on our company and future response measures.

6.1.1 The interest rate risk of our group is mainly from bank loans and loans at floating rates which may cause interest rate risk for cash flow. We regularly assess interest rate for bank loan, and closely contact with banks for more favorable borrowing rates in order to lower the impact of interest rate change on the company. And in the future, we will review and consider the amount and cost of a variety of funding sources for raising the necessary funds.

6.1.2 As we operate internationally, the relevant currency risk is mainly from future commercial transactions, recognized assets and liabilities and net investments on foreign organizations. Our group's procurement personnel shall refer to the recent currency trend for the abroad suppliers' quotes to avoid increasing procurement cost due to currency fluctuation. The finance department should occasionally collect exchange rate information for references with exchange rate changes, so the purchase payment shall depend on the level of exchange rate to be paid by our foreign currency cash like U.S. dollars or by our foreign currency deposits account, with offset effect of foreign currency income and expense which the exchange rate changes may cause a certain hedge effect, in order to reduce the harmful impact on the company due to the exchange rate changes.

6.1.3 Our Group pays attention to the inflation all the time: our quotation for import and sales activities and service transactions is based on the market price in order to reduce influences caused by the inflation.

6.1.4 Our group has established appropriate risk management mechanisms, and will continue to monitor changes in interest rate, exchange rate and inflation, in order to avoid any harmful influence on company profit and loss account caused by the aforesaid situations.

6.2 By the latest annual report and the publish date of the annual report this year, the main reasons and future response measures for policy profits or losses of the engaged in high-risk and highly leveraged investments, capital lending to others, endorsement and derivatives financial commodity transactions.

6.2.1 Engaging in high-risk and highly leveraged investments and derivatives financial commodity transactions:

We focus upon our business operations, and for ensuring safety of assets, we do not engage in high-risk and highly leveraged investments and derivatives financial commodity transactions. And we shall take more robust fixed time deposits or risk-free bond funds for free capital flows to prevent losses.

6.2.2 Capital lending to others:

By the latest annual report and the publish date of the annual report this year, the capital lending to others we engaged in is mainly the short-term financing for working capital needs within company's subsidiaries, which should be operated in accordance with "Operation Procedures for Capital Lending to Others" and the relevant regulations and laws, and the amount of capital lending does not exceed the limit.

6.2.3 Endorsement

In recent years and up to the printing of the annual report, the endorsement guarantees provided by the Group include: the Company's bank financing guarantee to its subsidiaries and joint guarantee as required by subsidiaries' construction performance bond; and joint guarantee signed among subsidiaries due to engineering contracting bonds. And such endorsements operation shall be complied with the

“Endorsement Operation Procedure” and the relevant regulations and laws, and the amount of endorsements does not exceed the limit.

6.3 The future R&D Plan and estimated R&D cost of the latest year and by the annual report’s publish date.

6.3.1 The future R&D plan

Our company’s research and development team has integration capability of high-tech process, automatic control and precision machinery technology in developing high-tech system equipment, which has achieved superb results. Some key technologies are briefly described as below:

The Latest Annual R&D Plan	Process Technology	Automatic Control	Precision Machinery
LED wafer thickness and flatness measurement technology	PSS process	Precision measurement	3D measurement probe, robotic arm platform

6.3.2 The estimated R&D cost:

The Latest Annual R&D Plan	Current progress	Further required R&D Cost	Expected Mass Production Start Time	Key Factors Influencing Success of Future R&D
LED wafer thickness and flatness measurement technology	98%	NT\$0	2018	Yield rate and examination speed required by the product

6.4 By the latest annual report and the publish date of the annual report this year, the impact of important domestic and international policy and legislation changes on the company's financial operations and response measures.

Recent domestic and foreign policy and legislation changes have no obvious effects on our current operations. We will closely monitor the important domestic and foreign policy and legislation changes, and under the quickest condition, assist in the company's internal transformation and change to enhance the overall operation capacity.

6.5 The impact of technological and industry changes on the company's finances and the response measures for the most recent year and the latest annual report:

The company has dedicated staff that collects the latest industry dynamics and market information. With a strong management team and experienced and excellent professionals, the company has rich experience in market development, customer relationship management, marketing and adaptiveness to industry changes, allowing itself to flexibly react to market dynamics, customer demand, technological development and supply and demand. The company also actively integrates and introduces advanced products and technology in the role of a supplier and a marketer, instantly and consistently delivers products and the supporting services of applications. Overall, technological change can bring more opportunities to the company's business development.

As the market development has gradually shifted to Asia, and with the globalization strategy and the establishment of oversea operations of the technology industry in general, the company establishes offices in China (Shanghai, Wuxi and others), Singapore, Malaysia, Vietnam, Myanmar, Indonesia and Korea to expand its business and serve more clients. In response to technological development, the company provides international sales of advanced technology, high-tech equipments and materials to reduce the communication barrier.

The company will make good use of technological and industry changes to enhance its business management capacity and reduce cost to improve the overall competitiveness.

6.6 The impact of image change on the company's risk management and the response measures for the most recent year and the latest annual report:

The corporate image has always been about modesty and stability. The company also operates honestly and maintains the shareholders' best interests for the company

philosophy. In addition to improving business growth, the company also strives for transparency and enhances the relationship with shareholders and various investment institutions. If the media or the outside parties have any questions, the company maintains its openness and transparency and quickly offers explanation to achieve active communication.

6.7 The expected benefits, possible risk and the response measures of acquisitions of the most recent year and the latest annual report: None.

6.8 The expected benefits, possible risk and the response measures of plant expansion of the most recent year and the latest annual report:

6.8.1 The group has newly added of its Tainan Science-based Industrial Park III plant in the current year in response of a productivity expansion for maintaining a high shipping demand and resolving production area deficiency, and as the groups' Tainan Science-based Industrial Park plants are in full capacity, a new Tainan Science-based Industrial Park III plant has been added, as evaluated from a sustainable management approach, which is conducive in excelling the group's operational development and overall compatibility.

6.8.2 The group has added a new Myanmar plant for making an inroad into the ASEAN market, by which to instill a competitive edge in the Southeast Asia market, and to support the group's existing development in ASEAN countries and venturing into other markets, which is conducive in excelling the group's market expansion.

6.9 The risks and the response measures of purchase and sales of the most recent year and the latest annual report:

1. Risks and the response measures for purchase: None.

2. Risks and the response measures for sales: None.

6.10 The impact and the risks of directors, supervisors and major shareholders with more than ten percent of the equity and the transfer or change of equity in large volume and the response measures for the most recent year and the latest annual report:

There is no large equity transfer for the directors and major shareholders with more than ten percent of the equity.

6.11 The impact and risks of changes in right to operate and the response measures for the most recent year and the latest annual report:

The company has never experienced ownership change since its founding.

6.12 For the most recent year and the latest annual report, any litigation and non-litigation cases of the company, directors, supervisors, general manager, person in charge, major shareholders with more than ten percent of the equity and the subsidiaries should be clearly listed. For the results that can potentially present huge impact to the rights of shareholders and share price, the dispute, money, lawsuits starting date and the major parties to the suit should be disclosed:None

6.13 Other major risks and the response measures of the most recent year and the latest annual report:None

7.Other Important Matters: None.

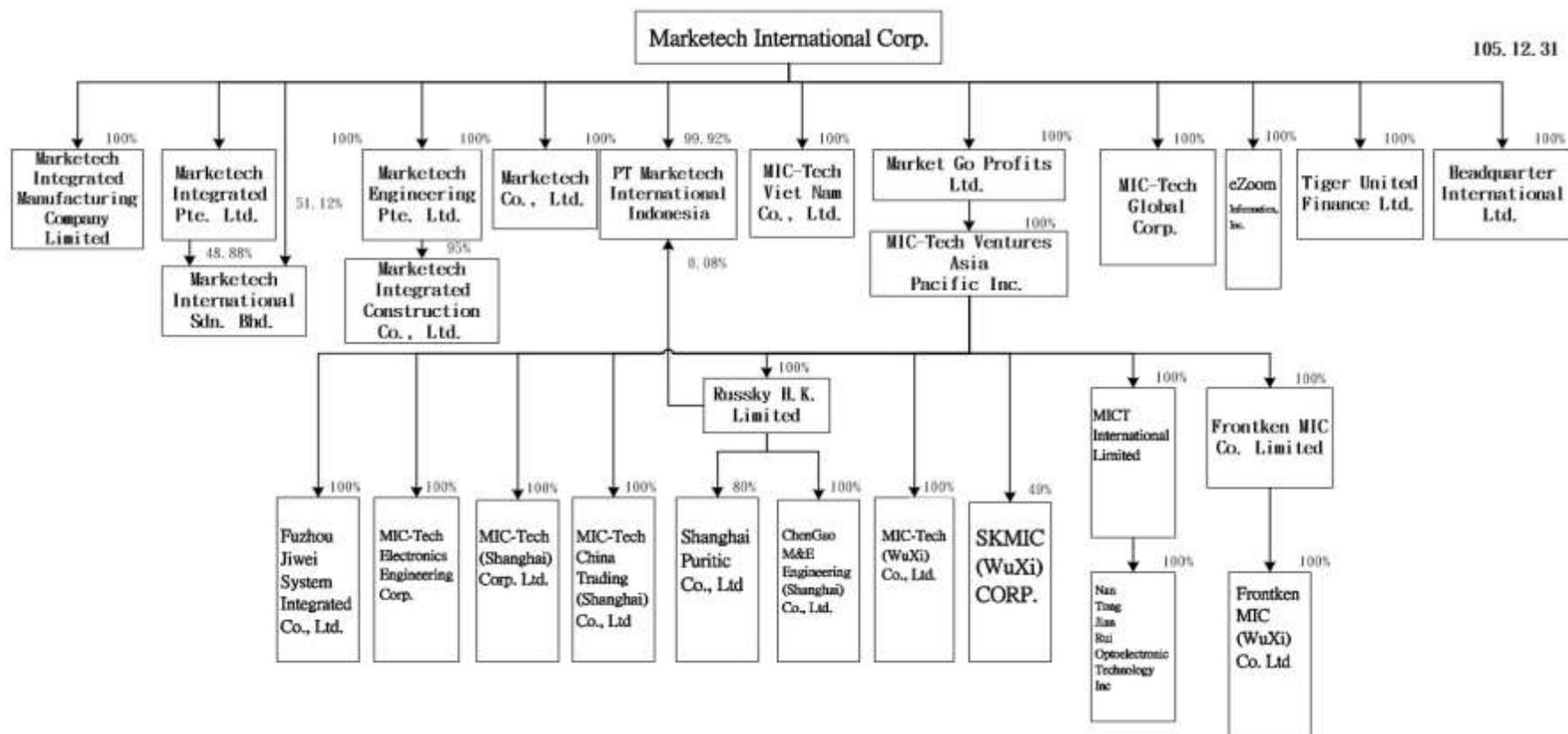
Part 8. Special Disclosures

1.Information related to the Company’s Affiliates

1.1 Consolidated report on subsidiaries

1.1.1. Organization profile of subsidiaries

(1) Organizational chart of subsidiaries



(2) Controlled company and affiliation under the presumption of Article 369-3 of the Company Law: None.

(3) Affiliation with personnel, finances or business operations directly or indirectly controlled by the company under the second item of Article 369-2 of the Company Law: None.

1.1.2. Basic information of subsidiaries

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production	
			Original currency	NTD (in thousands)		
Marketech Integrated Pte. Ltd.	Jul. 10, 1997	86 KaKi Bukit Industrial Terrace, Singapore 416166	SGD	8,225,040	183,089	Handles the business of automated supply system in the semiconductor industry
Market Go Profits Ltd.	Dec. 20, 2000	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD	38,369,104	1,141,865	Engaged in holdings and reinvestment
Headquarter International Ltd.	Dec. 10, 2002	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD	1,289,367	38,372	Engaged in holdings and reinvestment
Tiger United Finance Ltd.	Oct. 9, 2002	P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD	1,410,367	41,973	Engaged in holdings and reinvestment
MIC-Tech Global Corp.	Oct. 18, 2004	RM918,Hyundai Office Bldg,9-4,Sunae 1-dong,Bundang-gu,Seongnam-si, Gyeonggi-do,Korea	ARW	657,800,000	18,497	General international trade
MIC-Tech Viet Nam Co., Ltd.	Jan. 22, 2010	7F, No 36, Hoang Cau street, O Cho Dua Ward, Dong Da District,Ha Noi City, Vietnam	USD	1,300,000	38,688	Trading, installation and maintenance of various industrial machinery, equipments and supplies
Marketech Co., Ltd.	Jun 13, 2001	No 72 , Le Thanh Ton Street , Ben Nghe Ward , 1 District .Ho Chi Minh City, Viet Nam	USD	1,000,000	29,760	Construction contracting and the related repair business
MIC-Tech Ventures Asia Pacific Inc.	Feb. 1, 2001	Huntlaw Building, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	USD	38,266,604	1,138,814	Engaged in holdings and reinvestment
Marketech International Sdn. Bhd.	Feb. 10, 2009	36-02, Bilik 2, Jalan Molek 1/10Taman Molek, 81400 Johor Bahru Johor, Malaysia	MYR	12,242,750	86,581	Handles the business of automated supply system in the semiconductor industry
Rusky H.K. Limited	Dec .17, 1992	Rm 1401, The Centre Mark, 287-299 Queen's Road Central, Hong Kong	USD	833,000	24,790	Engaged in holdings and reinvestment
Marketech Engineering Pte. Ltd.	Nov. 28, 2013	86 Kaki Bukit Industrial Terrace Singapore 416166	SGD	421,000	9,373	Handles mechanical and electrical installation and engineering businesses
Marketech Integrated Construction Co., Ltd.	Mar. 19, 2014	67/A, Htan Tapin Street, Kamayut Township, Yangon	USD	300,000	8,928	Handles mechanical and electrical installation and engineering businesses
Marketech Integrated Manufacturing Company Limited	Mar. 19, 2015	Lot No. B12, Tailawa Special Economic Zone A, Yangon Region, Myanmar	USD	14,000,000	416,640	Design, production and assembly services for equipments and components of automated production machines.
PT. Marketech International Indonesia	Oct. 18, 2016	VIP Chamber#2, Wisma GKBI Lt. 39 J1. Jend. Sudirman No. 28, Jakarta Pusat, Indonesia	USD	1,200,000	35,712	Trading machinery and equipment

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production	
			Original currency	NTD (in thousands)		
Marketch Netherlands B.V.	Jun.30.2018	Luchthavenweg 81,8657 EA Eindhoven	EUR	300,000	10,671	Machinery, equipment, parts and related international trade operation and technical services
Shanghai Puritic Co., Ltd	Apr. 21, 1998	1F, Building A, No. 1281, Jin Hu Road, Pudong, Shanghai	USD	600,000	17,856	Design, installation, adjustment and technical services for scrubber regeneration , pipeline system and relevant facilities used in the semiconductor industry; maintenance of equipments used in the semiconductor industry; technical advices for electronic and medical facilities; wholesaler, commission-based agent, export, import and related support services for electronic products, mechanical equipments, chemical products, communication equipments, metal products and plastic products.
Chen Gao M&E Engineering (Shanghai) Co., Ltd.	Feb. 2, 2008	25th Floor, No. 1, Lane 1040, Caoyang Road, Shanghai (Note 4)	USD	200,000	5,952	Microelectronics and display product design and consultation of the related technologies and management
MIC-Tech (Shanghai) Co. Ltd.	May 24, 2001	2F, Building A, No. 1281, Jin Hu Road, Pudong, Shanghai	USD	8,241,000	245,252	Semiconductor production, testing equipment and supplies, wholesale of power generation boiler, commission agents, import and export and other related business, boiler warehousing and distribution. international trade, entropot trade, bonded area trade and agency, business advisory services.
Fuzhou Jiwei System Integrately Co., Ltd.	Feb. 27, 2003	Room 510, No. 120, Cangshan Science and Technology Park, Fuzhou, Fujian Province	USD	300,000	8,928	Cleanroom and power system, pipeline system installation and related services.
MIC-Tech Electronics Engineering Corp.	Jun 30, 2003	1F, Building A, No. 1281, Jin Hu Road, Pudong, Shanghai	USD	17,619,000	524,341	Mechanical and electrical installation general contracting and sub-contracting, electronic engineering sub-contracting, petrochemical pipeline installation sub-contracting, pipeline sub-contracting and provide maintenance service at the end of project, related engineering consultation services.
MIC-Tech (WuXi) Co., Ltd.	May 16, 2001	No. 11, Xin Xi Road, Wuxi High-Tech Industrial Development Zone, Jiangsu Province	USD	25,500,000	758,880	Semiconductor, crystal and electronic component equipments, design, manufacturing, installation and maintenance of pollution control equipment, packaging equipment, refrigeration equipment and oven assembly. Wholesale, commission agent, import and export of the above products and parts. Rental and lease of plant.
SKMIC (WuXi) Corp.	Jul 4, 2006	Room 208, 2nd Floor, No. 87-A, Wuxi High-Tech Industrial Development Zone, Jiangsu Province	USD	305,000	9,077	Wholesaler, commission-based agent, export, import and related support services for equipments designed for the installation and maintenance of semiconducting components and crystals, equipments designed for electronic components, chemical products for environmental protection and pollution prevention

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production	
			Original currency	NTD (in thousands)		
					equipments, semiconductors, examination equipments and supplies, solar energy equipments supplies, furnace for power generation; international trade, entrepot trading, trading and trading agent services for enterprises within the region; and trading related consultations.	
MIC-Tech China Trading (Shanghai) Co., Ltd.	Mar 21, 2013	Room 517, No. 8 Huajin Road, Shanghai Wai Gao Qiao Free Trade Zone	USD	1,500,000	44,640	Petrochemical products (except hazardous chemicals, precursor chemicals and specialty chemicals), semiconductors, testing equipments and supplies, solar equipment and supplies, wholesale of power generation boilers, commission agents, import and export and other related services, international trade, entrepot trade, trade and agent within the bonded area, trade advisory services.
MICT International Limited	Dec. 14, 2007	1004., AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.	USD	4,200,000	124,992	Engaged in holdings and reinvestment
Nan Tong Jian Rui Optoelectronic Technology Inc	Oct. 22, 2008	Huolong Industry Park, Sijia Town, Haimen, Nantong, Jiangsu, China (No. 60, Sizu , Liantong Village)	USD	4,200,000	124,992	To develop and produce equipments specially designed for the production of solar energy battery; key components of large screen color projection displays such as optical engines, light sources, projection screens, high resolution projection tubes and LCOS modules; new electronic components; and cleaning and regeneration services.
Frontken MIC Co., Limited	Dec. 28, 2007	Room 1006, 10/F., 299QRC, 287-299 Queen's Road Central, Hong Kong	USD	2,337,608	69,567	Engaged in holdings and reinvestment
Frontken MIC (WuXi) Co. Ltd	Oct. 31, 2008	No. 11, Xinxu Road, Wuxi National High-Technology Industrial Development Zone, Jiansu	USD	2,308,000	68,686	To clean equipments specialized for semiconductor components and integrated circuit. To clean parts and wafers of specific components, integrated circuits and micro-components of semiconductor devices. To develop semiconductor cleaning technology.
eZoom Information, Inc.	Nov. 20, 1996	6F-3, No. 3-2, Yuanqu Street, Nangang District, Taipei	NTD	72,000,000	72,000	Research and development, buying and selling and consultation of information system software and hardware
ADAT Technology Co., LTD.	Oct. 19, 2017	6F, No. 3-2, Yuanqu Street, Nangang District, Taipei	NTD	12,000,000	12,000	Software research and development, application and services; electronic information provisioning and equipment sales

Note 1: All affiliated companies should be disclosed regardless of size.

Note 2: For all affiliated companies that have factories and the sales revenue exceeds ten percent of the mother company, the names, founding dates, address and the main products should be listed.

Note 3: If the affiliated companies are foreign, the names and addresses can be presented in English. The founding dates can be shown in AD date, and the paid in capital should be converted by using the official currency conversion rate.

Note 4: The address is the actual business address.

1.1.3. Shareholders in common and Its Subsidiaries with Deemed Control and Subordination:
Unit: NTD in thousands; shares: %

Presumed reasons	Name (Note 1)	Shareholding (Note 2)		Date of establishment	Address	Paid in Capital	Main areas of business
		Shares	Share ratios				
		Not applicable					

Note 1: Fill in the corporate name if the corporate shareholder is the same. Fill in the individual name if the individual shareholder is the same. For individual shareholders, only fill in the presumed reasons, name and the shares in holding.

Note 2: Fill in the shareholding information of the shareholder in the controlling company.

1.1.4. Businesses covered by the overall affiliation

(1) Industries covered by the company and the subsidiaries

(1.1) Semiconductor (including mask, wafer fabrication, packaging and testing), optoelectronics (color filter, TFT-LCD, LTPS TFT LCD, polarizer, LED, OLED, GaAs), solar power industries and others (SAW filter, biotechnology and MEMS) and their pipeline construction and turnkey project contracting.

(1.2) Electronics, circuits and construction pipeline businesses

(1.3) General investment

(1.4) Trading of chemical products and materials

(1.5) Sales and installation of boilers and equipments

(1.6) Research and development and manufacturing of customized equipments

(2) Business dealings and division of labor between the subsidiaries:

The company and its subsidiaries that it deals business with are involved in high-technology products related sales agent activities and services, factory affairs, production and system integration services and equipment production. The companies have adopted division of work based on their specialization in terms of their cooperation: The Company is responsible for the expansion of domestic and foreign market and related services as well as the overall operational planning, control, execution and technical instructions for its subsidiaries; eZoon aims to build ICT and cloud computation integrated technology as its core competitiveness, integrate the Group business and sources, and collaborate with the Group to conduct a comprehensive marketing in order to maximize the overall effectiveness and to expand business opportunity. Marketech Integrated Pte. Ltd., Marketech International Sdn. Bhd., Mic-Tech Viet Nam Co., Ltd., Hoa Phong Marketech Co., Ltd., Marketech Intergrated Construction Co., Ltd. and Marketech Integrated Manufacturing Company Limited are responsible not only for developing the South-East Asia market, but also for constructing pipelines required for Semiconductor and general industry customers in Mainlander China to expand their production capacity and the production, installation and maintenance of equipments. Besides, they also support the engineering of factory affair systems required for customers in the Greater China region to build plants. MIC-Tech (Shanghai) Co. Ltd., Wuxi Qihua Electronic Technology Co., Ltd., Wuxi Hanhua Electronic Technology Co., Ltd., Shanghai Puritic Co., Ltd., Shanghai Jiwei Electronic System Engineering Co., Ltd., Fuzhou Jiwei System Technology Co., Ltd., Shanghai Sheng Kao Mechanical and Electrical Engineering Design Co., Ltd., TPP-MIC (Wuxi) Co., Ltd., Nan Tong Jian Rui Optoelectronic Technology Inc, Frontken MIC Co. Limited and Shanghai Fan-Ya Trade Co., Ltd. are responsible for expanding the market of the Greater China region. These companies are specialized in fields of sales agent activities, equipment production, installation and maintenance, and factory affair system engineering for chemicals used to satisfy the domestic market of the Greater China. To respond to the demand of Korea's semiconductor and TFT industries, MIC-Tech Global Corp. is appointed to expand the East Asia market. The parent company and the subsidiaries provide complementary synergy through distribution of regional resources and the integrated support.

1.1.5. Information of directors, supervisors and general manager of all subsidiaries

Unit: Doller; shares: %

Company Name	Title	Name or representative	Shareholding (Note 2 and 3)	
	(Note 1)		Number of shares or capital contributions	Shareholding ratios
Marketech Integrated Pte. Ltd.	Chairman Director Director	Corporate representatives Kao Hsin-Ming Scott Lin Seetoh Oi Ying	SGD8,225,040	100%
Market Go Profits Ltd.	Director Director	Corporate representatives Kao Hsin-Ming Scott Lin	USD38,369,104	100%
Headquarter International Ltd.	Director Director	Corporate representatives Kao Hsin-Ming Scott Lin	USD1,289,367	100%
Tiger United Finance Ltd.	Director Director	Corporate representatives Kao Hsin-Ming Scott Lin	USD1,410,367	100%
MIC-Tech Global Corp.	Director Director Director Supervisor General manager	Corporate representatives Kao Hsin-Ming Scott Lin Pu Zhen-Hao Li Yi-Jung Zhen-Hao Pu	ARW657,800,000	100%
MIC-Tech Viet Nam Co.,Ltd.	General manager	Corporate representatives Kao Hsin-Ming	USD 1,300,000	100%
Marketech Co., Ltd.	General manager	Corporate representatives Kao Hsin-Ming	USD 1,000,000	100%
Marketech Engineering Pte.Ltd.	Director Director Director	Corporate representatives Kao Hsin-Ming Scott Lin Seetoh OiYing	SGD421,087	100%
Marketech Integrated Manufacturing Company Limited	Director Director	Corporate representatives Kao Hsin-Ming Scott Lin	USD14,000,000	100%
MIC-Tech Ventures Asia Pacific Inc.	Director Director	Subsidiary- Market Go Profits Ltd. Corporate representatives Kao Hsin-Ming Scott Lin	USD38,266,604	100%
Marketech Integrated Construction Co., Ltd.	Director Director	Subsidiary- Marketech Enginnering Pte.Ltd. Corporate representatives Kao Hsin-Ming Scott Lin	USD285,000	95%

Company Name	Title	Name or representative	Shareholding (Note 2 and 3)	
	(Note 1)		Number of shares or capital contributions	Shareholding ratios
Marketch International Sdn.Bhd.	Director Director Director Director Director	Corporate representatives Kao Hsin-Ming Scott Lin Subsidiary- Marketch Integrated Pte Ltd. Corporate representative Ma Kuo-peng Individual representative Mohd Salleh Bin Mohamad Siti Zaleha Binti Mohd Salim	MYR12,242,750	100%
Rusky H.K. Limited	Director Director	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Kao Hsin-Ming Scott Lin	USD833,000	100%
Frontken MIC Co. Limited	Director Director	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Kao Hsin-Ming Scott Lin	USD1,013,200	100%
PT Marketch International Indonesia	Director supervisorma	Corporate representatives Kao Hsin-Ming Scott Lin	USD 1,200,000	100%
Marketch Netherlands B.V.	Director Director Director	Corporate representatives Kao Hsin-Ming Scott Lin Ma Kuo-peng	EUR 300,000	100%
Shanghai Puritic Co., Ltd	Chairman Director Director Director supervisormanager Director Director	Subsidiary- Rusky H.K. Limited corporate representatives Kao Hsin-Ming Ma Kuo-peng Scott Lin Li Yi-Jung Kao Hsin-Ming Corporate representatives from other firms Shouhei Fukaya Osamu Watanabe	USD803,000	87%
Chen Gao M&E Engineering (Shanghai) Co., Ltd.	Chairman Director Director Director Supervisor	Subsidiary- Rusky H.K. Limited corporate representatives Li Yi-Jung Kao Hsin-Ming Scott Lin Li De-Qing	USD200,000	100%

Company Name	Title	Name or representative	Shareholding (Note 2 and 3)	
	(Note 1)		Number of shares or capital contributions	Shareholding ratios
MIC-Tech (Shanghai) Corp. Ltd.	Chairman Director Director General manager	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. corporate representative Kao Hsin-Ming Scott Lin Ma Kuo-peng Kao Hsin-Ming	USD 8,241,000	100%
Fuzhou Jiwei System Integrated Co., Ltd.	Chairman Director Director General manager	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. corporate representatives Kao Hsin-Ming Ma Kuo-peng Scott Lin Kao Hsin-Ming	USD300,000	100%
MIC-Tech Electyronics Engineering Corp.	Chairman Director Director Supervisor	Subsidiary- MIC-Tech Ventures Asia Pacific Inc corporate representatives Kao Hsin-Ming Ma Kuo-peng Scott Lin Li Yi-Jung	USD 17,619,000	100%
MIC-Tech(WuXi) Co., Ltd.	Chairman Director Director Supervisor General manager	Subsidiary- MIC-Tech Ventures Asia Pacific Inc corporate representatives Kao Hsin-Ming Ma Kuo-peng Scott Lin Li Yi-Jung Kao Hsin-Ming	USD25,500,000	100%
SKMIC (WuXi) CORP.	Director Director Supervisor Chairman	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. corporate representatives Kao Hsin-Ming Scott Lin Song Dong-Xuan corporate representatives from other firms Jin Ren-Shou	USD149,450	49%
MIC-Tech China Trading (Shanghai)Co., Ltd	Chairman Director Director Director Supervisor	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Kao Hsin-Ming Scott Lin Ma Kuo-peng Li Yi-Jung	USD 1,500,000	100%

Company Name	Title	Name or representative	Shareholding (Note 2 and 3)	
	(Note 1)		Number of shares or capital contributions	Shareholding ratios
MICT International Limited	Director Director	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Kao Hsin-Ming Scott Lin	USD3,096,716	100%
Nan Tong Jian Rui Optoelectronic Technology Inc	Chairman Director Director Supervisor President	Subsidiary MICT International Limited Corporate representatives Hou Fu-Jia Kao Hsin-Ming Wang, Chien-Yuan Scott Lin Lu Hsueh-Heng	USD3,096,716	100%
Frontken MIC(WuXi) Co. Limited	Chairman Director Director Director Supervisor manager	Subsidiary Frontken MIC Co. Limited Corporate representative Kao Hsin-Ming Scott Lin Ma Kuo-peng Hee Kok Hiong Li Yi-Jung Hou Fu-Jia	USD1,013,200	100%
eZoom Information, Inc.	Director Director Director Supervisor	Corporate representatives Kao Hsin-Ming Scott Lin Chuang Yan-Shan Ma Kuo-peng	7,200,000 shares	100%
ADTA Technology Co., LTD	Chairman Director Supervisor Director	Corporate representatives Scott Lin Kao Hsin-Ming Li Yi-Jung corporate representatives from other firms Su Kai-hung	1,000,000 shares	100%

Note 1: If the affiliated company is a foreign firm, list the person with the corresponding title.

Note 2: If the invested firm is a limited company, please fill in the number of shares and the shareholding ratios. For others, please fill in the paid in capital and the contribution ratio and provide explanation notes.

Note 3: When the directors and the supervisors are corporates, the related information of the representatives should be disclosed.

(2) Operation profile of subsidiaries

(2.1) Financial position and operating results of the affiliated companies

Unit: NTD in thousands

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating (loss) gain	(Loss) gain of the period (after tax)	Earning per share (loss) (NTD) (after tax)
Marketech Integrated Pte. Ltd.	183,089	98,108	104,189	(6,081)	126,361	(20,195)	(15,988)	-
Market Go Profits Ltd.	1,141,865	1,038,755	-	1,038,755	-	(146)	(74,893)	-
Headquarter International Ltd.	38,372	38,299	341	37,958	2,232	(743)	(1,179)	-
Tiger United Finance Ltd.	41,973	37,617	510	37,107	2,552	(146)	(646)	-
MIC-Tech Global Corp.	18,497	13,591	5,885	7,706	76,933	(4,334)	(6,436)	-
MIC-Tech Viet Nam Co., Ltd.	38,688	33,655	2,853	30,802	26,998	(929)	(1,890)	-
Marketech Co., Ltd.	29,760	7,911	3,909	4,002	5,079	(5,096)	(5,145)	-
Marketech Engineering Ptd. Ltd.	9,373	2,532	84	2,448	-	(139)	(2,129)	-
MIC-Tech Ventures Asia Pacific Inc.	1,138,814	1,054,648	17,638	1,037,010	296,019	14,028	(74,747)	-
Marketech International Sdn.Bhd.	86,581	134,236	76,464	57,772	185,099	944	5,079	-
Marketech Integrated Construction Co., Ltd.	8,928	4,798	2,792	2,006	10,896	(2,234)	(2,101)	-
Marketech Integrated Manufacturing Company Limited	416,640	403,466	7,141	396,325	-	(3,933)	(5,590)	-
Russky H.K. Limited	24,790	2,853	19,049	(16,196)	-	(63)	1,854	-
Frontken MIC Co. Limited	69,567	5,636	-	5,636	-	(27)	(401)	-
PT Marketech International Indonesia	35,712	35,681	-	35,681	-	(211)	124	-
Marketech Netherlands B.V.	10,671	10,497	44	10,453	-	(211)	(211)	-
Shanghai Puritic Co., Ltd	17,856	214,877	233,715	(18,838)	229,214	4,963	1,317	-
ChenGao M&E Engineering (Shanghai) Co., Ltd.	5,952	397	3,057	(2,660)	-	(24)	(149)	-
MIC-Tech (Shanghai) Corp. Ltd.	245,252	1,254,551	917,507	337,044	1,428,959	32,538	17,980	-
Fuzhou Jiwei System Integrated Co., Ltd.	8,928	543	2,277	(1,734)	-	(845)	(895)	-
MIC-Tech Electronics Engineering Corp.	524,341	2,192,916	1,723,048	469,868	1,920,038	(61,740)	(91,119)	-
MIC-Tech(WuXi) Co., Ltd.	758,880	715,308	691,471	23,837	549,548	1,221	(2,055)	-
SKMIC (WuXi) CORP.	9,077	472	144	328	340	(4,786)	(4,861)	-
MIC-Tech China Trading (Shanghai)Co., Ltd	44,640	123,599	98,329	25,270	122,789	(8,126)	(13,502)	-
MICT International Limited	124,992	30,712	-	30,712	-	-	(5,152)	-
Nan Tong Jian Rui Optoelectronic Technology Inc	124,992	55,341	24,629	30,712	21,577	(2,339)	(5,152)	-
Frontken MIC (WuXi) Co. Ltd	68,686	5,616	-	5,616	-	(152)	(374)	-
eZoom Information, Inc.	72,000	53,238	22,533	30,705	98,634	(3,890)	(1,835)	(0.25)
ADAT Technology Co., LTD	12,000	7,887	652	7,235	-	(4,767)	(4,765)	(3.97)

Note 1: If any of the above affiliated companies is foreign, the number should presented in NTD using the currency exchange rate of the report date.

Note 2: Earnings (loss) per share is calculated based on the number of shares outstanding of each company on December 31st, 2017.

1.2 The consolidated financial statements of affiliated companies: In 2016, The companies that should be included in the consolidated financial reports of affiliated companies based on "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and the companies that should be included in the consolidated financial reports of subsidiaries based on "Consolidated and separate financial statements" of International Accounting Standards Section 27 are the same. The related information that should be disclosed in the consolidated financial statements of affiliated companies are also already disclosed in the consolidated financial reports for subsidiaries, so that the consolidated financial statements of affiliated companies will not be published separately. Please refer to the consolidated reports from page 229 to 310 of this annual report.

1.3 Affiliation report: Not applicable.

2.Private Placement Securities in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report: None.

3.The Shares in the Company Held or Disposal of by subsidiaries in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report: None.

4.Other Disclosures : None.

Part 9 Any of the situations listed in Article 36, aragraph3,subparagraph 2 of the Securities and Exchange Act of Taiwan, which might materially affect Shareholders' Equity or the price of the Company Securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: None.

**MARKETECH INTERNATIONAL CORP.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2017 AND 2016**

Marketch International Corp.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2017, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,
Marketch International Corp.
Margaret Kao
February 24, 2018

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of
Marketech International Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Marketech International Corp. and its subsidiaries (the “Group”) as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

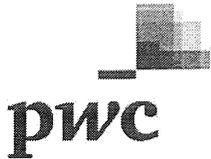
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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 (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.



Recognition of construction revenue

Description

Please refer to Notes 4(13) and 4(29) for accounting policy on construction contract and revenue. Please refer to Note 5(2) for the details of uncertainty of construction contract accounting estimation and assumption. Please refer to Notes 6(22) and 6(6) for description on construction revenue and construction cost.

The Group recognized revenue and profit by using the percentage of completion method. This method is also being used to calculate the cost in each contract at the year-end. The management will re-evaluate the cost if the budget had increased or decreased, and depending on the cost after adjustment to recalculate the percentage of completion. The construction revenue may be affected by the appropriateness of determination of cost and estimated cost. Thus, we considered this as one of the key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

- A. Obtained an understanding of the managements' control system and tested it, if the contract had been created or had significantly changed in estimation of construction cost.
- B. Obtained the newly added construction contract list for this fiscal year, and ensure that the total contract price is equal to the amount being used to calculate construction revenue. Ensure that the construction supplement can be traced back to supplementary contracts.
- C. Checked the construction cost estimation sheets incurred in the current period, sample tested the basis of estimation and subcontracting amount, and ensured it has been approved appropriately by the management.
- D. Checked the rationality of significant changes in estimation of construction cost, and sample tested whether the revised plan has been approved by the management.
- E. Obtained the billing details, and selected samples of related vouchers by using statistical procedures to check the correctness of input cost in engineering reports and computation of percentage of completion.

Valuation on inventories

Description

Please refer to Note 4(12) for description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(6) for the description of inventory.

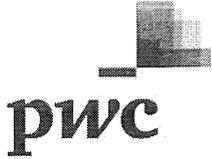
The Group is primarily engaged in import and export trading business, which include integrated circuit, electronic equipment, and materials, components used on electronic equipment. Due to the rapid technological changes, the semiconductor equipment industry has become more and more competitive, and the product price frequently changes. Therefore, the Group is now exposed to risk on inventory valuation loss and slow-moving inventory. Inventories are stated at the lower of cost or net realizable value, slow-moving inventories are using specific identification method to estimate the allowance for inventory valuation losses.

The base stock of inventories are based on assumptions of future demand and development plan. Due to the large quantity of inventories for sale, and since the amounts involved are significant, the determination of net realisable value for obsolete or slow-moving inventory involves subjective judgement resulting in high degree of estimation uncertainty. As a result of the high uncertainties in these estimates, we considered this as one of the key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

- A. Assessed the policy of allowance for inventory valuation loss, based on our understanding of the operations and industry of the Group.
- B. Tested whether the basis of market value used in calculating the net realizable value of inventory is consistent with the policy of the Group and validated selling prices of selected samples of respective inventory and their accuracy of net realizable value calculation.
- C. Acquired management's individually identified out-of-date inventory list, inspected the related supporting documents and proper recognition in the financial statements.



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Valuation of allowance of accounts receivable

Description

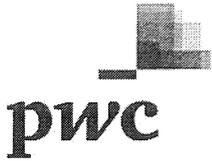
Please refer to Note 4(9) for accounting policy of accounts receivable. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable. Please refer to Note 6(5) for the description of accounts receivable.

First, the Group assessed the significant accounts receivable individually, and for those that are not significant can be assessed either individually or collectively. If there is no impairment after individual assessment, then the group of accounts receivable will be added for collective assessment. If the accounts receivable over a certain age is significant, the management will re-examine the collectability and assesses each case for possible impairment. Management uses professional judgement during the process, and accounting estimates have a high possibility of becoming inappropriate. The professional judgement may be affected by the following issues. Such as customer's financial status, internal credit rating, order history, and economic situation. Thus, obtaining the supporting documents which management used for judgement is important. Thus, we considered the assessment on allowance for bad debts as one of our key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

- A. Obtained an understanding of the process which management used to evaluate the collectibility of accounts receivable.
- B. Ensured that the classification of impairment in the group of accounts receivable is appropriate and in accordance with the Group's accounting policy.
- C. Checked the details of significant impairment recognized by the management, against the supporting documents to verify appropriateness.
- D. Verified the subsequent collections details of significant accounts receivable.
- E. Obtained the details of significant accounts receivable which have not yet been collected at the year end, and re-evaluated the appropriateness.



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Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Marketech International Corp. Ltd. as at and for the years ended December 31, 2017 and 2016.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:



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1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chang, Shu-Chiang

Chang, Shu-Chiang

Weng, Shih-Jung

Weng, Shih-Jung

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2018

The accompanying consolidated 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 consolidated 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.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,300,572	14	\$ 1,752,244	12
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		17,143	-	7,297	-
1125	Available-for-sale financial assets	6(3)				
	- current		41,502	-	63,853	-
1150	Notes receivable, net	6(4)	167,147	1	213,014	2
1170	Accounts receivable, net	6(5)(8)	3,898,907	24	4,019,113	29
1180	Accounts receivable - related	7				
	parties, net		168	-	417	-
1190	Construction contracts receivable	6(8) and 7	3,163,858	20	2,868,149	20
1200	Other receivables		20,890	-	16,083	-
130X	Inventories, net	6(6)	3,049,761	19	2,621,278	19
1410	Prepayments	6(7)	811,826	5	456,297	3
1470	Other current assets	8	171,820	1	160,570	1
11XX	Total current assets		<u>13,643,594</u>	<u>84</u>	<u>12,178,315</u>	<u>86</u>
Non-current assets						
1543	Financial assets at cost - non-	6(9)				
	current		279,343	2	256,628	2
1550	Investments accounted for using	6(10)				
	equity method		52,117	-	37,679	-
1600	Property, plant and equipment,	6(11), 7 and 8				
	net		1,864,277	12	1,388,586	10
1780	Intangible assets	7	20,115	-	21,619	-
1840	Deferred tax assets	6(26)	122,914	1	113,923	1
1900	Other non-current assets	6(11)	88,783	1	86,032	1
15XX	Total non-current assets		<u>2,427,549</u>	<u>16</u>	<u>1,904,467</u>	<u>14</u>
1XXX	Total Assets		<u>\$ 16,071,143</u>	<u>100</u>	<u>\$ 14,082,782</u>	<u>100</u>

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(12) and 8	\$ 2,012,182	13	\$ 1,913,374	14
2150	Notes payable		908,350	6	858,675	6
2170	Accounts payable		3,911,241	24	3,447,773	25
2180	Accounts payable - related parties	7	22,053	-	13,565	-
2190	Construction contracts payable	6(8)	1,851,105	12	1,325,311	9
2200	Other payables	6(13)	544,024	3	455,018	3
2230	Current tax liabilities		96,090	1	93,751	1
2310	Advance receipts	6(8)(14)	1,014,888	6	724,461	5
2399	Other current liabilities, others		12,917	-	13,428	-
21XX	Total current liabilities		<u>10,372,850</u>	<u>65</u>	<u>8,845,356</u>	<u>63</u>
Non-current liabilities						
2530	Bonds payable	6(15)	200,199	1	477,153	3
2540	Long-term borrowings	6(16)	200,000	1	-	-
2570	Deferred tax liabilities	6(26)	-	-	10,350	-
2640	Accrued pension liabilities	6(17)	154,014	1	144,643	1
2670	Other non-current liabilities, others		78	-	85	-
25XX	Total non-current liabilities		<u>554,291</u>	<u>3</u>	<u>632,231</u>	<u>4</u>
2XXX	Total Liabilities		<u>10,927,141</u>	<u>68</u>	<u>9,477,587</u>	<u>67</u>
Equity						
Share capital						
3110	Ordinary shares	6(19)	1,770,164	11	1,650,698	12
Capital surplus						
3200	Capital surplus	6(18)(20)	843,057	5	648,446	4
Retained earnings						
3310	Legal reserve	6(21)	626,773	4	575,258	4
3320	Special reserve		92,239	1	92,239	1
3350	Unappropriated retained earnings		1,893,389	12	1,667,955	12
Other equity interest						
3400	Other equity interest		(80,645)	(1)	(26,985)	-
31XX	Total equity attributable to owners of parent		<u>5,144,977</u>	<u>32</u>	<u>4,607,611</u>	<u>33</u>
36XX	Non-controlling interests		<u>(975)</u>	<u>-</u>	<u>(2,416)</u>	<u>-</u>
3XXX	Total Equity		<u>5,144,002</u>	<u>32</u>	<u>4,605,195</u>	<u>33</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total Liabilities and Equity		<u>\$ 16,071,143</u>	<u>100</u>	<u>\$ 14,082,782</u>	<u>100</u>

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Year ended December 31

Items	Notes	2017		2016	
		AMOUNT	%	AMOUNT	%
4000 Operating Revenue	6(22) and 7	\$ 20,211,994	100	\$ 18,650,941	100
5000 Operating Costs	6(6)(25) and 7	(17,910,657)	(89)	(16,403,284)	(88)
5900 Gross Profit		<u>2,301,337</u>	<u>11</u>	<u>2,247,657</u>	<u>12</u>
Operating Expenses	6(25) and 7				
6100 Sales and marketing expenses		(562,119)	(2)	(525,098)	(3)
6200 General and administrative expenses		(754,437)	(4)	(812,556)	(4)
6300 Research and development expenses		(184,082)	(1)	(209,703)	(1)
6000 Total operating expenses		<u>(1,500,638)</u>	<u>(7)</u>	<u>(1,547,357)</u>	<u>(8)</u>
6900 Operating Profit		<u>800,699</u>	<u>4</u>	<u>700,300</u>	<u>4</u>
Non-operating Income and Expenses					
7010 Other income	6(23)	63,054	-	81,362	-
7020 Other gains and losses	6(2)(24)	7,858	-	(54,865)	-
7050 Finance costs		(62,688)	-	(56,596)	-
7060 Share of gain of associates and joint ventures accounted for using equity method		<u>5,052</u>	<u>-</u>	<u>2,412</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>13,276</u>	<u>-</u>	<u>(27,687)</u>	<u>-</u>
7900 Profit before Income Tax		<u>813,975</u>	<u>4</u>	<u>672,613</u>	<u>4</u>
7950 Income tax expense	6(26)	(165,146)	(1)	(161,350)	(1)
8200 Net Income		<u>\$ 648,829</u>	<u>3</u>	<u>\$ 511,263</u>	<u>3</u>
Other Comprehensive Income					
8311 Gains (losses) on remeasurements of defined benefit plans	6(17)	(\$ 11,229)	-	(\$ 15,975)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	<u>1,909</u>	<u>-</u>	<u>2,716</u>	<u>-</u>
8310 Total components of other comprehensive loss that will not be reclassified to profit or loss		<u>(9,320)</u>	<u>-</u>	<u>(13,259)</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Exchange differences on translation of foreign operations		(56,650)	-	(98,892)	(1)
8362 Unrealized gain on valuation of available-for-sale financial assets of foreign operations	6(3)	(6,395)	-	29,408	-
8370 Share of other comprehensive loss of associates and joint ventures accounted for using equity method		(146)	-	(104)	-
8399 Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(26)	<u>9,681</u>	<u>-</u>	<u>16,855</u>	<u>-</u>
8360 Total components of other comprehensive loss that will be reclassified to profit or loss		<u>(53,510)</u>	<u>-</u>	<u>(52,733)</u>	<u>(1)</u>
8300 Other comprehensive loss, net of tax		<u>(\$ 62,830)</u>	<u>-</u>	<u>(\$ 65,992)</u>	<u>(1)</u>
8500 Total Comprehensive Income		<u>\$ 585,999</u>	<u>3</u>	<u>\$ 445,271</u>	<u>2</u>
Profit (loss) attributable to:					
8610 Owners of the parent		<u>\$ 652,951</u>	<u>3</u>	<u>\$ 515,151</u>	<u>3</u>
8620 Non-controlling interests		<u>(\$ 4,122)</u>	<u>-</u>	<u>(\$ 3,888)</u>	<u>-</u>
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		<u>\$ 589,971</u>	<u>3</u>	<u>\$ 449,009</u>	<u>2</u>
8720 Non-controlling interests		<u>(\$ 3,972)</u>	<u>-</u>	<u>(\$ 3,738)</u>	<u>-</u>
9750 Basic earnings per share	6(27)	<u>\$</u>	<u>3.77</u>	<u>\$</u>	<u>3.12</u>
9850 Diluted earnings per share	6(27)	<u>\$</u>	<u>3.51</u>	<u>\$</u>	<u>2.95</u>

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent										
		Capital Reserves			Retained Earnings			Other equity interest		Total	Non-controlling interests	Total equity
		Share capital - ordinary shares	Share premium	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets			
Year 2016												
Balance at January 1, 2016		\$ 1,650,698	\$ 616,003	\$ 2,770	\$ 529,385	\$ 92,239	\$ 1,542,603	\$ 25,898	\$ -	\$ 4,459,596	\$ 5,202	\$ 4,464,798
Appropriations and distribution of earnings for 2015	6(21)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	45,873	-	(45,873)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(330,140)	-	-	(330,140)	-	(330,140)
Share-based payment	6(18)(20)	-	-	8,537	-	-	-	-	-	8,537	-	8,537
Changes in equity of associates and joint ventures accounted for using equity method		-	-	-	-	-	(527)	-	-	(527)	-	(527)
Due to recognition of equity component of convertible bonds issued	6(15)(20)	-	-	21,136	-	-	-	-	-	21,136	-	21,136
Profit (loss) for 2016		-	-	-	-	-	515,151	-	-	515,151	(3,888)	511,263
Other comprehensive income (loss) for 2016		-	-	-	-	(13,259)	(82,291)	29,408	(66,142)	150	(65,992)	
Change in non-controlling interests		-	-	-	-	-	-	-	-	(3,880)	(3,880)	
Balance at December 31, 2016		<u>\$ 1,650,698</u>	<u>\$ 616,003</u>	<u>\$ 32,443</u>	<u>\$ 575,258</u>	<u>\$ 92,239</u>	<u>\$ 1,667,955</u>	<u>(\$ 56,393)</u>	<u>\$ 29,408</u>	<u>\$ 4,607,611</u>	<u>(\$ 2,416)</u>	<u>\$ 4,605,195</u>
Year 2017												
Balance at January 1, 2017		\$ 1,650,698	\$ 616,003	\$ 32,443	\$ 575,258	\$ 92,239	\$ 1,667,955	(\$ 56,393)	\$ 29,408	\$ 4,607,611	(\$ 2,416)	\$ 4,605,195
Appropriations of and distribution of earnings for 2016	6(21)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	51,515	-	(51,515)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(363,153)	-	-	(363,153)	-	(363,153)
Share-based payment	6(18)(19)(20)	14,225	18,151	133	-	-	-	-	-	32,509	-	32,509
Changes in equity of associates and joint ventures accounted for using equity method		-	-	-	-	-	(3,529)	-	-	(3,529)	-	(3,529)
Conversion of convertible bonds	6(15)(19)(20)(29)	105,241	188,751	(12,424)	-	-	-	-	-	281,568	-	281,568
Profit (loss) for 2017		-	-	-	-	-	652,951	-	-	652,951	(4,122)	648,829
Other comprehensive income (loss) for 2017		-	-	-	-	(9,320)	(47,265)	(6,395)	(62,980)	150	(62,830)	
Change in non-controlling interests		-	-	-	-	-	-	-	-	5,413	5,413	
Balance at December 31, 2017		<u>\$ 1,770,164</u>	<u>\$ 822,905</u>	<u>\$ 20,152</u>	<u>\$ 626,773</u>	<u>\$ 92,239</u>	<u>\$ 1,893,389</u>	<u>(\$ 103,658)</u>	<u>\$ 23,013</u>	<u>\$ 5,144,977</u>	<u>(\$ 975)</u>	<u>\$ 5,144,002</u>

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 813,975	\$ 672,613
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit	6(2)(23)	(9,846)	(1,328)
Provision (reversal of provision) for bad debt expense	12(2)	(12,129)	74,825
Share of gain of associates and joint ventures accounted for using equity method		(5,052)	(2,412)
Gain on disposal of investments	6(24)	(35,556)	(7,894)
Depreciation	6(11)(25)	109,120	102,789
Amortisation	6(25)	20,431	19,333
Loss on disposal of property, plant and equipment		1,353	1,264
Impairment loss on financial assets	6(9)(23)	15,243	-
Compensation cost of share-based payments	6(18)(20)	7,901	8,537
Interest income		(7,881)	(4,109)
Interest expense		62,688	56,596
Dividend income	6(23)	(16,935)	(14,624)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		38,599	(106,623)
Accounts receivable, net		100,180	(1,110,410)
Accounts receivable – related parties, net		250	23,386
Construction contracts receivable		(295,709)	(383,138)
Other receivables		(5,670)	(10,437)
Inventories		(437,591)	(422,209)
Prepayments		(355,530)	(57,671)
Other current assets		36,368	4,697
Changes in operating liabilities			
Notes payable		49,675	51,684
Accounts payable		473,981	794,603
Accounts payable – related parties		8,488	(7,045)
Construction contracts payable		525,794	88,371
Other payables		100,616	62,888
Advance receipts		290,427	126,347
Other current liabilities, others		(511)	(10,019)
Other non-current liabilities		(1,858)	(1,922)
Cash inflow (outflow) generated from operations		1,470,821	(51,908)
Interest received		7,164	3,327
Dividends received		16,935	14,624
Interest paid		(67,409)	(52,771)
Income tax paid		(172,702)	(152,940)
Net cash flows from (used in) operating activities		1,254,809	(239,668)

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2017	2016
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of available-for-sale financial assets – current		\$ 32,233	\$ 1,889
Decrease in other financial assets – current		6,733	410
Acquisition of financial assets measured at cost – non-current		(66,915)	(20,131)
Proceeds from disposal of financial assets measured at cost – non-current		67,942	13,449
Proceeds from capital reduction of financial assets measured at cost – non-current		274	9,185
Acquisition of investments accounted for using equity method		(9,611)	(1,408)
Proceeds from disposal of investments accounted for using equity method		-	307
Proceeds from capital reduction of investments accounted for using equity method		-	41,182
Acquisition of property, plant and equipment	6(11)	(611,238)	(95,635)
Proceeds from disposal of property, plant and equipment		19,051	2,577
Acquisition of intangible assets		(19,021)	(18,307)
Increase in refundable deposits		(56,613)	(9,798)
(Increase) decrease in other non-current assets		(3,214)	1,088
Net cash flows used in investing activities		(640,379)	(75,192)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		113,112	634,001
Increase in long-term borrowings		200,000	-
(Decrease) increase in guarantee deposits received		(6)	67
Proceeds from exercise of employee stock options	6(18)	24,609	-
Proceeds from issuance of bonds	6(15)	-	495,000
Cash dividends paid	6(21)	(363,153)	(330,140)
Changes in non-controlling interests		-	(3,880)
Net cash flows (used in) from financing activities		(25,438)	795,048
Effect of exchange rate changes on cash and cash equivalents		(40,664)	(132,818)
Net increase in cash and cash equivalents		548,328	347,370
Cash and cash equivalents at beginning of year	6(1)	1,752,244	1,404,874
Cash and cash equivalents at end of year	6(1)	<u>\$ 2,300,572</u>	<u>\$ 1,752,244</u>

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. ORGANIZATION AND OPERATIONS

Marketech International Corp. (the “Company”) was incorporated in the Republic of China (ROC) on December 27, 1988. On October 17, 2002, the Company’s common shares were officially listed on the Taiwan Over-The-Counter Securities Exchange and on May 24, 2004, the shares were transferred to be listed on the Taiwan Stock Exchange. The Company and its subsidiaries (collectively referred herein as the “Group”) are mainly engaged in (i) import and trade of various integrated circuits, semiconductors, electrical and computer equipment and materials, chemicals, gas, components; (ii) factory affair and mechatronic system including clean room, automatic supply system of (specialty) gas and chemicals, monitor system, Turn-key and Hook-up Project and (iii) design and manufacturing of customized equipment.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The consolidated financial statements were authorised for issuance by the Board of Directors on February 24, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016
Amendments to IAS 19, ‘Defined benefit plans: employee contributions’	July 1, 2014
Amendments to IAS 27, ‘Equity method in separate financial statements	January 1, 2016

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Group expects to adopt IFRS 15 using the modified retrospective

approach. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

A. In accordance with IFRS 9, the Group expects to reclassify available-for-sale financial assets and financial assets at cost in the amounts of \$41,502 and \$279,343 respectively, by increasing financial assets at fair value through profit or loss and increasing retained earnings and decreasing other equity interest in the amounts of \$346,649, \$48,817 and \$23,013, respectively.

B. In line with the regulations of IFRS 9 on provision for impairment, account receivables will have to be reduced by \$29,297, retained earnings decreased by \$29,502 and non-controlling interests increased by \$205.

C. Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Group expects to change the presentation of certain accounts in the balance sheets as follows:

(a) Under IFRS 15, construction contracts whereby services have been rendered but not yet billed are recognised as contract assets but were previously presented as construction contracts receivable in the balance sheet. The balances would amount to \$3,163,858 on January 1, 2018.

(b) Under IFRS 15, liabilities in relation to construction contracts are recognised as contract liabilities, but were previously presented as construction contracts payable in the balance sheet. The balances would amount to \$1,851,105 on January 1, 2018, reclassified to contract liabilities-current.

(c) Under IFRS 15, liabilities in relation to sales contracts are recognised as contract liabilities, but were previously presented as advance receipts in the balance sheet. The balances would amount to \$961,752 on January 1, 2018, reclassified to contract liabilities-current.

(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 IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. Amendments to IAS 28, 'Long-term interests in associates and joint ventures'

The amendment clarifies that, for any long-term interest that, in substance, form part of the entity's net investment in an associate or joint venture, an entity should apply IFRS 9 to such interests before it applies IAS 28 to recognise losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

The consolidated financial statements of the Group 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. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Liabilities on cash-settled share-based payment arrangements measured at fair value.
- (d) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. The subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2017	December 31, 2016	
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Contracting for semiconductor automatic supply system	100	100	-
Marketech International Corp.	Headquarter International Ltd.	Investment holding and reinvestment	100	100	-
Marketech International Corp.	Tiger United Finance Ltd.	Investment holding and reinvestment	100	100	-
Marketech International Corp.	Market Go Profits Ltd.	Investment holding and reinvestment	100	100	-
Marketech International Corp.	MIC-Tech Global Corp.	International trade	100	100	-
Marketech International Corp.	MIC-Tech Viet Nam Co., Ltd.	Trading, installation and repair of various machinery equipment and its peripherals	100	100	-
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Contracting for electrical installing construction	100	100	-
Marketech International Corp.	eZoom Information, Inc.	Research, trading and consulting of information system software and hardware appliance	100	100	-
Marketech International Corp.	Marketech Co., Ltd.	Specialized contracting and related repair services; equipment sales and repair, sales of cosmetics and daily necessities	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2017	December 31, 2016	
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Design, manufacturing, installation of automatic production equipment and its parts	100	100	-
Marketech International Corp.	Marketech International Sdn. Bhd.	Specialized contracting and related repair services	51.12	51.12	-
Marketech International Corp.	PT Marketech International Indonesia	Trading business of machine equipment and parts	99.92	99.92	-
Marketech International Corp.	Marketech Netherlands B.V.	International trade business of machine and components and technical service	100	-	-
Marketech International Corp.	ADAT Technology Ltd.	The research, development, application, and service of software; supply of electronic information and the buying and selling of	83.33	-	-
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Investment holding and reinvestment	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	Rusky H.K. Limited	Investment holding and reinvestment	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Investment holding and reinvestment	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co., Limited	Investment holdings and reinvestment	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2017	December 31, 2016	
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech (WuXi) Co., Ltd.	Design, manufacturing, installation and maintenance of semiconductor device, crystal dedicated device, electronic component device, environment pollution preventing equipment; assembling of wrapping device and cooling equipment; assembling of barbecue grill; wholesale, commission agency and import and export of the aforementioned products their components, textile, commodities, chemical products and cosmetics; lease of self-owned plants; design, manufacturing, sales and installation of automatic warehousing equipment and accessories, automatic logistics transporting equipment and accessories; R&D, sales and installation of supplementary engineering in logistics dispatch system	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2017	December 31, 2016	
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech (Shanghai) Corp.	Wholesale, commission agency, maintenance, repairment, manufacture, import and export of semiconductor production, inspection equipment and its consumables and boilers that generate electricity; storage and allocation of mainly chemical and boiler products; international and entrepot trade; trading and trading agency among enterprises in customs bonded area; consulting services in customs bonded area	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech Electronics Engineering Corp.	General contracting for electrical installing construction; specialized contracting for electrical installing construction; specialized contracting for electronic engineering; specialized contracting for petroleum and chemical equipment installation; specialized contracting for channel and guarantee for post construction; consulting service for related construction technology	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2017	December 31, 2016	
MIC-Tech Ventures Asia Pacific Inc.	Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	SKMIC (WUXI) Corp.	Design, installation and repairment of semi-conductor and transistor facilities, electronic components facilities and pollution prevention equipment, as well as wholesale, commission agent and export/import business of products listed above, industrial cleaning, repairment and maintenance	49	49	Note
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Wholesale, commission agency and import and export of chemical products, semiconductors, inspection equipment and its consumables, solar equipment consumables and boilers that generate electricity; international and entrepot trade, trading and trading agency among enterprises in customs bonded area; consulting service for trading; installation, repair, and maintenance of automation equipment, electronic equipment, and their parts	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2017	December 31, 2016	
Rusky H.K. Limited	Shanghai Maohua Electronics Engineering Co.,Ltd.	Production of scrubber bins for semiconductor manufacturers; design, installation, debugging and technology services of tunnel system; equipment repair for semiconductor manufacturers; consulting service for electrical and medical equipment wholesale, commissioned distribution, export, import and related services of electronic products, machinery equipment, chemical products, communication equipment, metal products, plastic products	87	80	-
Rusky H.K. Limited	ChenGao M&E Engineering (Shanghai) Co., Ltd.	Design of microelectronic products and display devices; consulting service for related technology and management	100	100	-
Rusky H.K. Limited	PT Marketech International Indonesia	Trading business of machine equipment and parts	0.08	0.08	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2017	December 31, 2016	
MICT International Limited	Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and micro-display module, and production, cleaning and regeneration of new electrical device	100	100	-
Frontken MIC Co. Limited	Frontken-MIC (Wuxi) Co., Ltd.	Research of specialized cleaning equipment of semiconductor device and integrated circuit, cleaning of special components of semiconductor device, integrated circuit and micromodule and cleaning technology for semiconductor, assembling, installation and maintenance of cooling equipment; design, manufacture, sale and installation of automatic warehouse equipment and fittings, and automatic logistics transporting equipment and fittings; development, sale and installation of computer aided engineering; wholesale, commission, import and export of above products and parts	100	100	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%)		Note
			December 31, 2017	December 31, 2016	
Marketech Integrated Pte. Ltd.	Marketech International Sdn. Bhd.	Specialized contracting and related repair services	48.88	48.88	-
Marketech Engineering Pte. Ltd.	Marketech Integrated Construction Co., Ltd.	Specialized contracting for electrical installing construction	95	95	-

Note : The Company holds less than 50% share ownership in its subsidiary – SKMIC (Wuxi) Corp., however, as the definition of control is met, the subsidiary is included in the consolidated entities.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: As of December 31, 2017 and 2016, the non-controlling interests amounted to (\$975), and (\$2,416), respectively. Subsidiaries that have non-controlling interests are not material to the Group.

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-

monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) Foreign exchange gains and loss based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or joint arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group still retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

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

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

C. Assets and liabilities relating to undertaking construction are classified as a current and non-current based on operating cycle.

(6) Cash equivalents

A. Cash and cash equivalents include petty cash, bank deposits and other short-term and highly liquid investments in the statements of cash flows.

B. 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.

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

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

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

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

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Notes and 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 recognized at fair value and subsequently measured at amortized 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.

(10) Impairment of financial assets

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

(a) Financial assets measured at 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.

(b) Financial assets measured at 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 current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset directly.

(c) Available-for-sale financial assets

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

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realizable 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Construction contracts

- A. IAS 11, 'Construction Contracts', defines a construction contract as a contract specifically negotiated for the construction of an asset. If the outcome of a construction contract can be estimated reliably and it is probable that this contract would make a profit, contract revenue should be recognized by reference to the stage of completion of the contract activity, using the percentage-of-completion method of accounting, over the contract term. Contract costs are expensed as incurred. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. An expected loss where total contract costs will exceed total contract revenue on a construction contract should be recognized as an expense as soon as such loss is probable. If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognized only to the extent of contract costs incurred that it is probable will be recoverable.
- B. Contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.
- C. The excess of the cumulative costs incurred plus recognized profits (less recognized losses) over the progress billings on each construction contract is presented as an asset within 'receivables from customers on construction contracts'. While, the excess of the progress billings over the cumulative costs incurred plus recognized profits (less recognized losses) on each construction contract is presented as a liability within 'Construction contracts payable'.

(14) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group 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 recognized at cost.
- B. The Group'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. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- 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 Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group'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 Group'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. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group 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.
- H. When the Group 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.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will

flow to the Group 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	2 ~ 55 years
Machinery and equipment	3 ~ 15 years
Other equipment	2 ~ 10 years

(16) Leases (leasee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

A. Computer software

Computer software is stated at cost and amortized on a straight-line basis over its estimated useful life of 1 to 3 years.

B. Trademarks

Trademarks are acquired in a business combination.

C. Other intangible assets

Other intangible assets are technology royalties which are stated at cost and amortised on a straight-line basis over the contract duration.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

- B. Goodwill is evaluated annually and is recorded as cost less impairment loss. Impairment loss of goodwill shall not be reversed.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Borrowings

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

(20) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized 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.

(21) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Financial liabilities and equity instruments

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus - stock options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognized as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
- B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption

value is accounted for as the premium or discount on bonds payable/ preference share liabilities and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

- C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognized in 'capital surplus - stock options' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable - net' as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - stock options.

(23) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognized at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortization and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(24) 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 recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, 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.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of

defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past-service costs are recognised immediately in profit or loss.

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

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(25) Employee share-based payment

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

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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 subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group 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 recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred 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 recognized amounts and there is an intention to settle on a net basis or realize 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 realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(27) 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.

(28) 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.

(29) Revenue recognition

A. Construction revenue

Details of construction revenue are provided in Note 4(13).

B. Sales of goods

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods (products) to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group 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 (products) is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods (products) 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.

(30) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group'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

None.

(2) Critical accounting estimates and assumptions

A. Construction contract

The Company recognises contract revenue and profit based on management's evaluation to contract profit and percentage of completion. Management assesses and adjusts the contract profit and cost during execution of the contract. The actual result of the total profit and cost may be higher or lower than the estimation, and the effect is recognised in revenue and profit.

B. 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.

C. Assessing the doubtful accounts

During the process of assessing the doubtful accounts, the Group uses judgement and evaluation to consider collectibility. The collectibility assessment is affected by various factors: customers' financial conditions, historical transaction records, current economic conditions, etc. If the collectibility of those accounts is in doubt, the Group will recognize allowance for uncollectible accounts individually. The evaluation of allowance is based on the status as of balance sheets date for reasonable expectations of future events. However, the actual results may be different than estimation. Therefore, it may have significant changes.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash on hand	\$ 14,144	\$ 13,176
Checking accounts and demand deposits	2,269,006	1,732,245
Time deposits	<u>17,422</u>	<u>6,823</u>
Total	<u>\$ 2,300,572</u>	<u>\$ 1,752,244</u>

A. The Group 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. Other than the cash and cash equivalents pledged to others as shown in Note 8 that was transferred to 'other current assets', the Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss – current

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Financial assets held for trading		
Listed stocks	\$ 7,439	\$ 7,592
Call provision of convertible corporate bonds (Note 6(15))	<u>250</u>	<u>250</u>
	7,689	7,842
Valuation adjustment	<u>9,454</u>	<u>(545)</u>
Total	<u>\$ 17,143</u>	<u>\$ 7,297</u>

A. The Group recognised net gain of \$9,686 and \$1,528 on financial assets held for trading for the years ended December 31, 2017 and 2016, respectively.

B. The Group recognised net gain (loss) of \$160 and (\$200) on the call provision of convertible corporate bonds issued by the Company for the years ended December 31, 2017 and 2016, respectively.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets – current

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Listed stocks		
Calitech Co., Ltd.	\$ 18,489	\$ 34,445
Valuation adjustment	<u>23,013</u>	<u>29,408</u>
Total	<u>\$ 41,502</u>	<u>\$ 63,853</u>

A. Since Calitech Co., Ltd. was listed on the Taipei Exchange in September 2016, the Company deposited its stocks of Calitech Co., Ltd. amounting to 2,857 thousand shares for custody with the Taiwan Depository & Clearing Corporation, but was withdrawn on December 31, 2016.

B. The Company has recognised changes in fair value of the unrealized gains on available-for-sale financial assets in profit or loss and in other comprehensive (loss) income amounting to (\$6,395) and \$29,408 for the years ended December 31, 2017 and 2016, respectively.

C. The Group has no available-for-sale financial assets pledged as collaterals.

(4) Notes receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Notes receivable	\$ 175,641	\$ 214,239
Less: Allowance for bad debts	(8,494)	(1,225)
Total	<u>\$ 167,147</u>	<u>\$ 213,014</u>

A. The Group does not hold any collateral as security.

B. For details of credit risk of the Group's notes receivable, please refer to Note 12(2).

(5) Accounts receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	\$ 4,277,063	\$ 4,424,269
Less: Allowance for bad debts	(378,156)	(405,156)
Total	<u>\$ 3,898,907</u>	<u>\$ 4,019,113</u>

A. The Group does not hold any collateral as security.

B. For details of credit risk of the Group's accounts receivable, please refer to Note 12(2).

(6) Inventories

	<u>December 31, 2017</u>		
	<u>Cost</u>	<u>Allowance for valuation loss and loss on obsolete and slow-moving inventories</u>	<u>Book value</u>
Materials	\$ 319,700	(\$ 22,087)	\$ 297,613
Merchandise inventory	785,052	(73,129)	711,923
Raw materials	591,528	(18,582)	572,946
Supplies	33,770	(1,999)	31,771
Work in process	1,286,363	(39,749)	1,246,614
Semi-finished goods and finished goods	<u>206,197</u>	<u>(17,303)</u>	<u>188,894</u>
Total	<u>\$ 3,222,610</u>	<u>(\$ 172,849)</u>	<u>\$ 3,049,761</u>

	December 31, 2016		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	\$ 349,500	(\$ 24,999)	\$ 324,501
Merchandise inventory	774,131	(48,506)	725,625
Raw materials	484,378	(12,192)	472,186
Supplies	27,477	(1,235)	26,242
Work in process	908,111	(6,774)	901,337
Semi-finished goods and finished goods	189,582	(18,195)	171,387
Total	<u>\$ 2,733,179</u>	<u>(\$ 111,901)</u>	<u>\$ 2,621,278</u>

Relevant expenses of inventories recognised as operating costs for the years ended December 31, 2017 and 2016 are as follows:

	Years ended December 31,	
	2017	2016
Construction cost	\$ 9,202,564	\$ 8,313,092
Cost of sales	7,816,885	7,273,914
Other operating cost	830,148	805,645
Loss on (gain on reversal of) market value decline and obsolete and slow-moving inventories	61,060	10,633
Total	<u>\$ 17,910,657</u>	<u>\$ 16,403,284</u>

The Group has no inventories pledged to others.

(7) Prepayments

	December 31, 2017	December 31, 2016
Prepayment for purchases	\$ 683,113	\$ 383,792
Others	128,713	72,505
Total	<u>\$ 811,826</u>	<u>\$ 456,297</u>

(8) Construction contracts receivable / payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Aggregate costs incurred plus recognised profits (less recognised losses)	\$ 26,582,074	\$ 23,718,635
Less: progress billings	(25,269,321)	(22,175,797)
Net balance sheet position for construction in progress	<u>\$ 1,312,753</u>	<u>\$ 1,542,838</u>
Presented as:		
Receivables from customers on construction contracts	\$ 3,163,858	\$ 2,868,149
Payables to customers on construction contracts	(1,851,105)	(1,325,311)
	<u>\$ 1,312,753</u>	<u>\$ 1,542,838</u>
Retentions relating to construction contracts	<u>\$ 46,151</u>	<u>\$ 63,444</u>
Advances received before the related construction work is performed	<u>\$ 599,077</u>	<u>\$ 110,290</u>

(9) Financial assets measured at cost - non-current

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Non-current items:		
Taiwan Intelligent Fiber Optic Network Co., Ltd.	\$ 44,024	\$ 44,024
Taiwan Puritic Corp.	39,287	39,287
Taiwan Special Chemicals Corp.	29,013	9,013
Taiwan Colour & Imaging Technology Corp.	25,330	-
Kinestral Technologies, Inc.	21,165	-
ProbeLeader Co., Ltd.	14,490	14,490
Civil Tech Pte. Ltd.	13,650	16,438
Foresight Energy Technologies Co., Ltd.	10,875	-
IP Fund Six Co., Ltd.	10,000	10,000
Innorich Venture Capital Corp.	10,000	10,000
VEEV Interactive Pte. Ltd.	-	15,243
Ares Green Technology Corp.	-	43,481
Others (companies individually not exceeding \$10,000)	<u>61,509</u>	<u>54,652</u>
Total	<u>\$ 279,343</u>	<u>\$ 256,628</u>

A. Based on the Group's investment purpose, the abovementioned stocks held by the Group shall be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in an active market, and no sufficient industry information of companies similar to the abovementioned companies can be obtained, the fair value of the stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets at cost – non-current'.

B. The ending balances of VEEV Interactive Pte. Ltd. as of December 31, 2017 was assessed to

decline and would be lower than the original investment cost. Therefore, impairment loss of \$15,243 was recognised on equity investment.

C. The Group has no financial assets measured at cost pledged to others.

(10) Investments accounted for using equity method

A. Details of investments accounted for using the equity method:

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>Carrying amount</u>	<u>% interest held</u>	<u>Carrying amount</u>	<u>% interest held</u>
Glory Technology Service Inc.	\$ 46,153	34.11%	\$ 33,463	35%
Leader Fortune Enterprise Co., Ltd.	4,115	31.43%	2,352	31.43%
MIC Techno Co., Ltd.	1,849	20%	1,864	20%
Total	<u>\$ 52,117</u>		<u>\$ 37,679</u>	

B. Associates

Associates using equity method are all individually immaterial and the Group's share of the operating results are summarized below:

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Profit for the period from continuing operations	\$ 15,154	\$ 5,182
Other comprehensive loss - net of tax	(465)	(331)
Total comprehensive income	<u>\$ 14,689</u>	<u>\$ 4,851</u>

(11) Property, plant and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2017</u>						
Cost	\$ 205,438	\$ 1,778,562	\$ 655,128	\$ 200,041	\$ 36,457	\$ 2,875,626
Accumulated depreciation	-	(802,731)	(533,214)	(136,295)	(14,800)	(1,487,040)
Book value	<u>\$ 205,438</u>	<u>\$ 975,831</u>	<u>\$ 121,914</u>	<u>\$ 63,746</u>	<u>\$ 21,657</u>	<u>\$ 1,388,586</u>
<u>Year ended December 31, 2017</u>						
Opening net book amount	\$ 205,438	\$ 975,831	\$ 121,914	\$ 63,746	\$ 21,657	\$ 1,388,586
Additions	-	191,431	51,106	27,838	340,863	611,238
Disposals	-	-	(9,691)	(761)	(10,007)	(20,459)
Depreciation	-	(56,897)	(27,463)	(22,587)	(2,173)	(109,120)
Net exchange differences	-	(4,582)	(686)	(174)	(526)	(5,968)
Closing net book amount	<u>\$ 205,438</u>	<u>\$ 1,105,783</u>	<u>\$ 135,180</u>	<u>\$ 68,062</u>	<u>\$ 349,814</u>	<u>\$ 1,864,277</u>
<u>At December 31, 2017</u>						
Cost	\$ 205,438	\$ 1,961,031	\$ 598,400	\$ 207,804	\$ 364,423	\$ 3,337,096
Accumulated depreciation	-	(855,248)	(463,220)	(139,742)	(14,609)	(1,472,819)
Book value	<u>\$ 205,438</u>	<u>\$ 1,105,783</u>	<u>\$ 135,180</u>	<u>\$ 68,062</u>	<u>\$ 349,814</u>	<u>\$ 1,864,277</u>

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office equipment</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2016</u>						
Cost	\$ 205,438	\$ 1,792,625	\$ 658,274	\$ 176,041	\$ 24,695	\$ 2,857,073
Accumulated depreciation	-	(754,842)	(533,520)	(133,877)	(15,280)	(1,437,519)
Book value	<u>\$ 205,438</u>	<u>\$ 1,037,783</u>	<u>\$ 124,754</u>	<u>\$ 42,164</u>	<u>\$ 9,415</u>	<u>\$ 1,419,554</u>
<u>Year ended December 31, 2016</u>						
Opening net book amount	\$ 205,438	\$ 1,037,783	\$ 124,754	\$ 42,164	\$ 9,415	\$ 1,419,554
Additions	-	8,179	26,355	40,270	18,906	93,710
Transfers (Note)	-	1,576	-	-	349	1,925
Disposals	-	(72)	(567)	(391)	(2,811)	(3,841)
Depreciation	-	(59,268)	(24,449)	(17,359)	(1,713)	(102,789)
Net exchange differences	-	(12,367)	(4,179)	(938)	(2,489)	(19,973)
Closing net book amount	<u>\$ 205,438</u>	<u>\$ 975,831</u>	<u>\$ 121,914</u>	<u>\$ 63,746</u>	<u>\$ 21,657</u>	<u>\$ 1,388,586</u>
<u>At December 31, 2016</u>						
Cost	\$ 205,438	\$ 1,778,562	\$ 655,128	\$ 200,041	\$ 36,457	\$ 2,875,626
Accumulated depreciation	-	(802,731)	(533,214)	(136,295)	(14,800)	(1,487,040)
Book value	<u>\$ 205,438</u>	<u>\$ 975,831</u>	<u>\$ 121,914</u>	<u>\$ 63,746</u>	<u>\$ 21,657</u>	<u>\$ 1,388,586</u>

Note: Transfers are transferred from prepayment for equipment (recorded as 'other non-current assets').

A. The Group has no interest capitalised to property, plant and equipment.

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

(12) Short-term borrowings

	<u>December 31, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit borrowings	\$ 1,992,148	0.88%~5.133%	None
Mortgage loan	20,034	2.75513%~2.88188%	Buildings
	<u>\$ 2,012,182</u>		
	<u>December 31, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit borrowings	\$ 1,787,601	0.95%~4.785%	None
Mortgage loan	125,773	2.89997%~5.0025%	Buildings
	<u>\$ 1,913,374</u>		

Details of mortgage loan are provided in Note 8.

(13) Other payables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Salaries and bonus payable	\$ 350,061	\$ 314,283
Accrued employees' compensation and directors' and supervisors' remuneration	123,169	82,997
Others	70,794	57,738
Total	<u>\$ 544,024</u>	<u>\$ 455,018</u>

(14) Advance receipts

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Sales revenue received in advance	\$ 931,407	\$ 694,731
Others	83,481	29,730
Total	<u>\$ 1,014,888</u>	<u>\$ 724,461</u>

(15) Bonds payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Bonds payable	\$ 206,100	\$ 500,000
Less: Discount on bonds payable	(5,901)	(22,847)
Total	<u>\$ 200,199</u>	<u>\$ 477,153</u>

A. The Company issued the 3rd domestic unsecured convertible bonds, as approved by the regulatory authority on August 1, 2016. The terms and conditions are as follows:

- Total issuance amount: NT \$500,000
- Issuance period: 3 years, and a circulation period from August 22, 2016 to August 22, 2019.
- Coupon rate: 0%

- (d) Conversion period: The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds before the maturity date, except the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (e) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.
- (f) Redemption Method:
- i. Redemption on the maturity date: Redeemed in cash at face value at the maturity date.
 - ii. Redemption before the maturity date: The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after one month of the bonds issue to 40 days before the maturity date.
 - iii. Under the terms of the bonds, all bonds redeemed, matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (g) As of December 31, 2017, the convertible corporate bonds with par value totaling \$293,900 have been converted into 10,524 thousand ordinary shares, generating capital surplus of \$188,751 and resulting in a decrease of 'capital surplus - stock options' by \$12,424.
- B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$21,136 were separated from the liability component and were recognised in 'capital surplus - stock options' in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation is 1.788%.

(16) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2017</u>
Long-term bank borrowings				
Credit borrowings	Borrowing period is from December 29, 2017 to March 29, 2019 ; interest is repayable monthly ; payable at maturity date	0.92%	None	<u>\$ 200,000</u>

- A. As of December 31, 2016, there was no change in the balance of undrawn borrowing facilities.

B. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Floating rate:		
Expiring beyond one year	\$ 400,000	\$ 600,000
Fixed rate:		
Expiring beyond one year	<u>13,801</u>	<u>13,820</u>
	<u>\$ 413,801</u>	<u>\$ 613,820</u>

(17) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 272,010	\$ 257,124
Fair value of plan assets	(117,996)	(112,481)
Net defined benefit liability	<u>\$ 154,014</u>	<u>\$ 144,643</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2017			
Balance at January 1	(\$ 257,124)	\$ 112,481	(\$ 144,643)
Current service cost	(1,249)	-	(1,249)
Interest (expense) income	(3,812)	1,688	(2,124)
	<u>(262,185)</u>	<u>114,169</u>	<u>(148,016)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(830)	(830)
Change in demographic assumptions	(1,593)	-	(1,593)
Change in financial assumptions	(8,564)	-	(8,564)
Experience adjustments	(242)	-	(242)
	<u>(10,399)</u>	<u>(830)</u>	<u>(11,229)</u>
Pension fund contribution	-	5,231	5,231
Paid pension	574	(574)	-
Balance at December 31	<u>(\$ 272,010)</u>	<u>\$ 117,996</u>	<u>(\$ 154,014)</u>
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2016			
Balance at January 1	(\$ 242,770)	\$ 112,180	(\$ 130,590)
Current service cost	(1,288)	-	(1,288)
Interest (expense) income	(3,587)	1,672	(1,915)
Settlement profit (loss)	2,243	(2,380)	(137)
	<u>(245,402)</u>	<u>111,472</u>	<u>(133,930)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(616)	(616)
Change in demographic assumptions	(1,631)	-	(1,631)
Experience adjustments	(13,728)	-	(13,728)
	<u>(15,359)</u>	<u>(616)</u>	<u>(15,975)</u>
Pension fund contribution	-	5,262	5,262
Paid pension	3,637	(3,637)	-
Balance at December 31	<u>(\$ 257,124)</u>	<u>\$ 112,481</u>	<u>(\$ 144,643)</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2017	2016
Discount rate	1.25%	1.50%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 8,626)	\$ 9,011	\$ 8,921	(\$ 8,584)
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ 8,570)	\$ 8,969	\$ 8,901	(\$ 8,549)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2017 and 2016 are the same.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2018 amounts to \$6,040.

(g) As of December 31, 2017, the weighted average duration of the defined benefit retirement plan is 12 years.

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

(b) The Company’s Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) Certain overseas subsidiaries have a defined contribution plan. Contributions to an independent fund are based on certain percentage of employees’ monthly salaries and wages and are recognised as pension cost. Other than the monthly contributions, the Group has no further obligations.

(d) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2017 and 2016 were \$89,738 and \$89,003, respectively.

(18) Share-based payment

A. For the years ended December 31, 2017 and 2016, the Company’s share-based payment arrangements were as follows:

<u>Type of arrangement</u>	<u>Grant date</u>	<u>Quantity granted (in thousands)</u>	<u>Contract period</u>	<u>Vesting conditions</u>
Employee stock options	2015.9.11	3,956	6 years	2~4 years’ service

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

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

	Years ended December 31,			
	2017		2016	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the year	3,956	\$ 18.20	3,956	\$ 19.60
Options granted	-	-	-	-
Options exercised	(1,423)	17.30	-	-
Options forfeited	(77)	-	-	-
Options outstanding at end of the year	<u>2,456</u>	17.30	<u>3,956</u>	18.20
Options exercisable at end of the year	<u>520</u>		<u>-</u>	
Options approved but not yet issued at end of the year	<u>44</u>		<u>44</u>	

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2017	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	2,456	\$ 17.30

		December 31, 2016	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	3,956	\$ 18.20

D. 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 (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Employee stock options	2015.9.11	\$ 19.60	\$ 19.60	34.91%	4.375 years	0%	0.81%	\$ 5.8326

E. Expenses incurred on share-based payment transactions are \$7,901 and \$8,537 for the years ended December 31, 2017 and 2016, respectively.

(19) Share capital

As of December 31, 2017, the Company's authorized capital was \$2,500,000, consisting of 250 million shares of ordinary stock (including 9,800 thousand shares reserved for employee stock options), and the paid-in capital was \$1,770,164 with a par value of \$10 (in dollars) per share

amounting to 177,016,429 shares. All proceeds from shares issued have been collected.

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

	Years ended December 31,	
	2017	2016
At January 1	165,069,756	165,069,756
Conversion of convertible bonds	10,524,173	-
Exercise of employee stock options	1,422,500	-
At December 31	<u>177,016,429</u>	<u>165,069,756</u>

(20) 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 Act 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.

Details of movements in capital surplus are as follows:

	Year ended December 31, 2017				
	Share premium	Employee Stock options	Stock options	Others	Total
At January 1	\$ 616,003	\$ 10,956	\$ 21,136	\$ 351	\$ 648,446
Exercise of employee stock options	18,151	(7,768)	-	-	10,383
Compensation cost of employee stock options	-	7,901	-	-	7,901
Conversion of convertible bonds	188,751	-	(12,424)	-	176,327
At December 31	<u>\$ 822,905</u>	<u>\$ 11,089</u>	<u>\$ 8,712</u>	<u>\$ 351</u>	<u>\$ 843,057</u>

	Year ended December 31, 2016				
	Employee				
	Share premium	Stock options	Stock options	Others	Total
At January 1	\$ 616,003	\$ 2,419	\$ -	\$ 351	\$ 618,773
Compensation cost of employee stock options	-	8,537	-	-	8,537
Due to recognition of equity component of convertible bonds issued	-	-	21,136	-	21,136
At December 31	<u>\$ 616,003</u>	<u>\$ 10,956</u>	<u>\$ 21,136</u>	<u>\$ 351</u>	<u>\$ 648,446</u>

(21) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve. The remaining amount along with the prior years' unappropriated earnings are resolved by the Board of Directors and proposed to the stockholders for appropriation or reserve.
- B. The Company's dividend policy is summarized below: in consideration of the overall environment development and industrial growth, fulfilling future operation development needs as priority and optimizing financial structure, distribution of dividends shall not exceed 50% of the stock dividend distributed.
- C. 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.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
 (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Financial-Supervisory-Securities-Firms No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. (a) Details of 2016 and 2015 earnings appropriation resolved by the stockholders on May 26, 2017 and May 31, 2016, respectively are as follows:

	Years ended December 31,			
	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 51,515	\$ -	\$ 45,873	\$ -
Cash dividends	363,153	2.2	330,140	2.0
Total	<u>\$ 414,668</u>		<u>\$ 376,013</u>	

The earnings appropriation for the years ended December 31, 2016 and 2015 listed above had no difference from that proposed by the Board of Directors on February 20, 2017 and February 22, 2016, respectively.

Information about the earnings distribution of 2016 and 2015 as approved by the Board of Directors and resolved by the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(b) Details of 2017 earnings appropriation proposed by the Board of Directors on February 24, 2018 are as follows:

	Year ended December 31, 2017	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 65,295	\$ -
Cash dividends	442,541	2.5
Total	<u>\$ 507,836</u>	

Information about the earnings appropriation for 2017 by the Company as approved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

The earnings appropriation of 2017 has not been resolved by the shareholders, thus, no dividend was accrued in these separate financial statements.

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(25).

(22) Operating revenue

	Years ended December 31,	
	2017	2016
Construction revenue	\$ 9,854,257	\$ 8,870,365
Sales revenue	9,073,992	8,483,422
Other operating revenue	1,283,745	1,297,154
Total	<u>\$ 20,211,994</u>	<u>\$ 18,650,941</u>

(23) Other income

	Years ended December 31,	
	2017	2016
Government grants revenue	\$ 17,774	\$ 34,181
Dividend income	16,935	14,624
Rental revenue	4,733	5,371
Other income	23,612	27,186
Total	<u>\$ 63,054</u>	<u>\$ 81,362</u>

(24) Other gains and losses

	Years ended December 31,	
	2017	2016
Net gains on financial assets at fair value through profit or loss	\$ 9,846	\$ 1,328
Gain on disposal of investments	35,556	7,894
Exchange loss	(17,501)	(56,149)
Impairment loss on financial assets	(15,243)	-
Other losses	(4,800)	(7,938)
Total	<u>\$ 7,858</u>	<u>(\$ 54,865)</u>

(25) Employee benefit expense, depreciation and amortisation

A. Employee benefit expense, depreciation and amortisation

	Year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 592,674	\$ 817,814	\$ 1,410,488
Compensation cost of employee stock options	-	7,901	7,901
Labour and health insurance fees	62,968	60,639	123,607
Pension costs	47,826	45,285	93,111
Other employee benefit expense	18,735	21,382	40,117
Depreciation	62,971	46,149	109,120
Amortisation	11,827	8,604	20,431

	Year ended December 31, 2016		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 591,254	\$ 772,972	\$ 1,364,226
Compensation cost of employee stock options	-	8,537	8,537
Labour and health insurance fees	60,627	56,403	117,030
Pension costs	46,316	46,027	92,343
Other employee benefit expense	19,503	20,614	40,117
Depreciation	56,354	46,435	102,789
Amortisation	7,900	11,433	19,333

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

- (a) According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall not be higher than 3% for directors' remuneration and shall be 1~15% for employees' compensation. If the company has accumulated deficit, earnings should be reserved to cover losses.
- (b) For the years ended December 31, 2017 and 2016, employees' compensation and directors' and supervisors' remuneration are accrued as follows:

	Years ended December 31,	
	2017	2016
Employees' compensation	\$ 89,000	\$ 75,452
Directors' and supervisors' remuneration	10,431	7,545
	<u>\$ 99,431</u>	<u>\$ 82,997</u>

For the year ended December 31, 2017, employees' compensation and directors' remuneration were estimated and accrued based on 9.72% and 1.14% of distributable profit of current year as of the end of reporting period. The employees' compensation and directors' and supervisors' remuneration of 2017 resolved by the Board of Directors on February 24, 2018 were \$89,000 and \$10,431, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2016 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2016 financial statements.

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2017	2016
Current tax		
Current tax on profits for the year	\$ 164,472	\$ 156,528
Additional 10% tax on undistributed earnings	8,669	6,791
Adjustments in respect of prior years	(244)	4,640
Total current tax	172,897	167,959
Deferred tax		
Origination and reversal of temporary differences	(7,751)	(6,609)
Income tax expense	<u>\$ 165,146</u>	<u>\$ 161,350</u>

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

	Years ended December 31,	
	2017	2016
Currency translation differences of foreign operations	\$ 9,681	\$ 16,855
Remeasurements of defined benefit obligations	1,909	2,716
	<u>\$ 11,590</u>	<u>\$ 19,571</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2017	2016
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 138,376	\$ 114,344
Effect of items disallowed by tax regulation	18,345	35,575
Additional 10% tax on unappropriated earnings	8,669	6,791
Adjustments in respect of prior years	(244)	4,640
Income tax expense	<u>\$ 165,146</u>	<u>\$ 161,350</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	Year ended December 31, 2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Bad debt expense	\$ 32,355	\$ 44	\$ -	\$ 32,399
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	11,390	6,630	-	18,020
Defined benefit obligation	24,589 (	316)	1,909	26,182
Impairment loss on financial assets	4,506	2,591	-	7,097
Unused compensated absences payable	7,241	2,857	-	10,098
Unrealised loss on investments	32,079 (	8,064)	-	24,015
Unrealised construction loss	1,763 (	1,089)	-	674
Unrealised exchange loss	-	2,089	-	2,089
Exchange differences on translation	-	-	2,340	2,340
Subtotal	<u>113,923</u>	<u>4,742</u>	<u>4,249</u>	<u>122,914</u>
—Deferred tax liabilities:				
Unrealised exchange gain	(3,009)	3,009	-	-
Exchange differences on translation	(7,341)	-	7,341	-
Subtotal	<u>(10,350)</u>	<u>3,009</u>	<u>7,341</u>	<u>-</u>
Total	<u>\$ 103,573</u>	<u>\$ 7,751</u>	<u>\$ 11,590</u>	<u>\$ 122,914</u>

	Year ended December 31, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive	
			income	December 31
Temporary differences:				
—Deferred tax assets:				
Bad debt expense	\$ 27,614	\$ 4,741	\$ -	\$ 32,355
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	10,370	1,020	-	11,390
Defined benefit obligation	22,200	(327)	2,716	24,589
Impairment loss on financial assets	6,017	(1,511)	-	4,506
Unused compensated absences payable	6,089	1,152	-	7,241
Unrealised loss on investments	35,747	(3,668)	-	32,079
Unrealised construction loss	-	1,763	-	1,763
Subtotal	<u>108,037</u>	<u>3,170</u>	<u>2,716</u>	<u>113,923</u>
—Deferred tax liabilities:				
Unrealised exchange gain	(2,460)	(549)	-	(3,009)
Unrealised construction gain	(3,988)	3,988	-	-
Exchange differences on translation	(24,196)	-	16,855	(7,341)
Subtotal	<u>(30,644)</u>	<u>3,439</u>	<u>16,855</u>	<u>(10,350)</u>
Total	<u>\$ 77,393</u>	<u>\$ 6,609</u>	<u>\$ 19,571</u>	<u>\$ 103,573</u>

D. Assessment of the Company's and domestic subsidiary's income tax returns is as follows:

	Assessment
The Company	Through 2015
eZoom Information, Inc.	Through 2015

E. The Company's unappropriated retained earnings are generated in and after 1998.

F. The balance of the imputation tax credit account is as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Balance of the imputation tax credit account	\$ 442,642	\$ 394,208

The creditable tax rate is estimated to 29.05% for 2016.

(27) Earnings per share

	<u>Year ended December 31, 2017</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 652,951	173,068	<u>\$ 3.77</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,830	10,230	
Employee stock option	-	1,152	
Employees' compensation	-	2,605	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 656,781</u>	<u>\$ 187,055</u>	<u>\$ 3.51</u>

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 515,151	165,070	\$ <u>3.12</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	2,525	6,384	
Employee stock option	-	627	
Employees' compensation	-	3,275	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>517,676</u>	<u>175,356</u>	\$ <u>2.95</u>

(28) Operating leases

Details are provided in Note 9(1).

(29) Supplemental cash flow information

	Years ended December 31,	
	2017	2016
Convertible bonds being converted to capital stocks	\$ <u>281,568</u>	\$ <u>-</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Japan Pionics Co.,Ltd	Other related parties
Macrotec Technology (Shanghai) Co., Ltd.	Associates
STS Glory Technology Corp.	Entities controlled by key management or entities with significant influence
Macrotec Technology Corp.	"
ProbeLeader Co., Ltd.	"

(2) Significant related party transactions and balances

A. Sales of goods and services

Sales of goods

	Years ended December 31,	
	2017	2016
Other related parties	\$ 5,045	\$ 24,900
Entities controlled by key management or entities with significant influence	308	-
Total	<u>\$ 5,353</u>	<u>\$ 24,900</u>

Prices to related parties and third parties are based on normal sales transactions and sales are collected 2 to 3 months after the completion of transactions.

B. Acquisition of goods and services

	Years ended December 31,	
	2017	2016
Purchase of goods		
Other related parties	\$ 21,477	\$ 3,167
Entities controlled by key management or entities with significant influence	3,490	3,660
Associates	-	9,082
Total	<u>\$ 24,967</u>	<u>\$ 15,909</u>

Prices to related parties and third parties are based on normal purchases terms and are collectible about 2 to 3 months after inspection.

Outsourcing construction costs

	Years ended December 31,	
	2017	2016
Other related parties	\$ 5,214	\$ 7,401
Entities controlled by key management or entities with significant influence	5,141	9,579
Total	<u>\$ 10,355</u>	<u>\$ 16,980</u>

The outsourcing construction costs paid to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the payment terms to related parties are approximately the same to third parties, which is about 2 months after inspection of constructions depending on the construction contracts or individual agreements.

C. Receivables from related parties

Accounts receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other related parties	\$ 124	\$ 382
Entities controlled by key management or entities with significant influence	<u>44</u>	<u>35</u>
Total	<u>\$ 168</u>	<u>\$ 417</u>

The collection terms to related parties and third parties are about 2 to 3 months after the sales while terms for construction are about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.

D. Payables to related parties

Accounts payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Entities controlled by key management or entities with significant influence	\$ 11,081	\$ 13,422
Other related parties	10,951	143
Associates	<u>21</u>	<u>-</u>
Total	<u>\$ 22,053</u>	<u>\$ 13,565</u>

The payment terms to related parties and third parties are about 2 to 3 months after inspection of purchases. The payment terms for outsourcing construction costs are about 2 months after inspection of construction, depending on normal construction contracts or individual agreements.

E. Advanced construction receipts (Recorded as Construction contracts receivable and payable)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates	\$ 10,316	\$ 10,316
Other related parties	<u>4,572</u>	<u>3,542</u>
Total	<u>\$ 14,888</u>	<u>\$ 13,858</u>

F. Property transactions

For the years ended December 31, 2017 and 2016, the Group has acquired computer equipment and related software from entities controlled by key management and the acquisition price was \$15,918 and \$21,265 (recorded as 'property, plant and equipment' and 'intangible assets'), respectively.

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Salaries and other short-term employee benefits	<u>\$ 70,109</u>	<u>\$ 60,068</u>

8. PLEDGED ASSETS

Details of the book value of the Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	
Time deposits (recorded as 'other current assets')	\$ 10,626	\$ 17,359	Performance guarantee, warranty guarantee and other guarantee
Refundable Deposits (recorded as 'other current assets')	99,987	45,636	Bid bond and performance guarantee
Buildings and structures (recorded as 'property, plant and equipment')	14,545	143,903	Guarantee for bank's borrowing facility
	<u>\$ 125,158</u>	<u>\$ 206,898</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT

COMMITMENTS

Commitments

(1) Operating leases agreements

The Group leases buildings under non-cancellable operating lease agreements. The lease terms are under 10 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased periodically to reflect market rental rates. The Group recognised rental costs and expenses of \$177,925 and \$155,840 for these leases in profit or loss for the years ended December 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Not later than one year	\$ 81,668	\$ 56,021
Later than one year but not later than five years	127,336	79,754
Later than five years	214,249	35,802
Total	<u>\$ 423,253</u>	<u>\$ 171,577</u>

(2) As of December 31, 2017, the notes and letters of guarantee used for construction performance and custom security amounted to \$1,420,107.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) For details of 2017 earnings appropriation proposed by the Board of Directors on February 24, 2018, please refer to Note 6(21) E(b).

(2) The amendments to the Income Tax Act were promulgated by the President of the Republic of China on February 7, 2018, and went into effect on January 1, 2018. The material effects to the Company are described as follows:

A. The Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase both the Company's deferred tax assets and deferred tax liabilities by 3%, and (decrease) increase current income tax expenses accordingly.

B. The imputation tax system will be abolished, thus, the balance of the imputation credit account on December 31, 2017 will become \$0 as of January 1, 2018.

12. OTHERS

(1) Capital risk management

The Group's main objective when managing capital is to maintain an optimal credit ranking and capital ratio to support the operation and to maximize stockholders' equity.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value are including cash and cash equivalents, notes receivable, accounts receivable (including related parties), construction contracts receivable (including related parties), other receivables (including related parties), other financial assets (recorded as 'other current assets'), refundable deposits (recorded as 'other non-current assets'), short-term borrowings, notes payable, accounts payable (including related parties), construction contracts payable (including related parties), other payables, long-term borrowings (including current portion) and guarantee deposits received (recorded as 'other non-current liabilities, others') are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

The Group's financial risk mainly arises from risks along with investments in financial instruments and foreign exchange risk of foreign currency transactions. The Group always adopt the restricted control standard for financial risk of all investments in financial instruments that market risk, credit risk, liquidity risk and cash flow risk of any financial investment and implementation has to be assessed and the ones with the least risks are chosen. For foreign exchange risk of foreign currency transactions based on strategic risk management objectives, the Group seeks the most optimised risk position and maintain appropriate liquidity position to reach the best hedging strategy.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, RMB, JYP and EUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

- The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD, RMB, SGD, IDR, MMK and MYR). 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, 2017						
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 45,906	29.76	\$ 1,366,163	1%	\$ 13,662	\$ -
USD : RMB	20,276	6.5194	603,416	1%	6,034	-
EUR : NTD	7,406	35.57	263,447	1%	2,634	-
JPY : NTD	276,632	0.2642	73,086	1%	731	-
RMB : NTD	37,561	4.5648	171,460	1%	1,715	-
USD : MMK	6,121	1.362	182,162	1%	1,822	-
USD : IDR	1,191	13.345	35,436	1%	354	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 4,472	29.76	\$ 133,090	1%	\$ 1,331	\$ -
USD : RMB	35,250	6.5194	1,049,051	1%	10,491	-
USD : SGD	1,625	1.3369	48,355	1%	484	-
USD : MYR	1,882	4.2081	56,004	1%	560	-

December 31, 2016

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 47,071	32.25	\$ 1,518,052	1%	\$ 15,181	\$ -
USD : RMB	13,942	6.9852	449,642	1%	4,496	-
EUR : NTD	5,833	33.90	197,722	1%	1,977	-
JPY : NTD	559,814	0.2756	154,285	1%	1,543	-
RMB : NTD	22,028	4.6169	101,703	1%	1,017	-
USD : MMK	1,876	1,365	60,514	1%	605	-
USD : IDR	1,201	13,272	38,748	1%	387	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 4,062	32.25	\$ 130,986	1%	\$ 1,310	\$ -
USD : RMB	29,759	6.9852	959,717	1%	9,597	-
USD : SGD	1,540	1.4468	49,656	1%	497	-
JPY : NTD	172,750	0.2756	47,610	1%	476	-
USD : MYR	1,871	4.6705	60,328	1%	603	-

- Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group.

	Year ended December 31, 2017		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	29.76	(\$ 16,192)
USD : RMB	(1,842)	6.5194	(8,408)
EUR : USD	(207)	0.8367	(6,154)
USD : MMK	(162,670)	1.362	(3,562)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : RMB	\$ 7,260	6.5194	\$ 33,140
USD : MYR	1,357	4.2081	5,711

	Year ended December 31, 2016			
	Exchange gain (loss)			
	Foreign currency amount (In thousands)	Exchange rate		Book value (NTD)
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$	-	32.25	\$ 22,940
USD : RMB		2,930	6.9852	13,526
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : RMB	(\$	8,549)	6.9852	(\$ 39,471)

Price risk

- The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet at fair value through profit or loss.
- The Group's investments in equity securities comprise listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, profit for the years ended December 31, 2017 and 2016 would have increased/decreased by \$74 and \$76, respectively. Other financial assets that have been deducted from reconciling items in stockholders' equity and recognized as profit/loss for the years ended December 31, 2017 and 2016 are \$16,278 and \$885, stockholders' equity for the years ended December 31, 2017 and 2016 would have increased/ decreased by \$185 and \$344, respectively, as a result of gains/losses on equity securities classified as available-for-sale. Available-for-sale financial assets recognized as equity adjustments for the years ended December 31, 2017 and 2016 are (\$6,395) and \$29,408, respectively.

Interest rate risk

- The Group's interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Changes in market interest rate will change effective interest rates of bank borrowings and thus fluctuate future cash flow. As the Group's operating capital is sufficient and risk is mostly offset by cash and cash equivalents held at variable rates, the Group has assessed there is no significant interest rate shift in cash flow risk.
- The Group analyses its interest rate exposure. Based on these scenarios, the Group 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.

- Under the Group’s simulation analysis result of interest risk, if the interest rate had increased/decreased by 1% with all other variables held constant, profit for the years ended December 31, 2017 and 2016 would have increased/ decreased by \$18,361 and \$15,881, respectively.

Credit risk

- Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. This is described as follows:
 - The Group has assessed the credit status of counterparties when selling products and goods or services. So it expects that the probability of counterparty default is remote. The Group’s maximum exposure to credit risk at balance sheet date is the carrying amount.
 - 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 set by the Board of Directors. The utilisation of credit limits is regularly monitored.
 - Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.
 - For banks and financial institutions, only rated parties with good ratings are accepted.
 - The endorsements and guarantees provided by the Group are all in accordance with “Regulations Governing Lending of Funds and Making of Endorsements/ Guarantees by Public Companies”. The Group knows the credit status of endorsees well and does not require any security. If there is any non-performance, the performance amount is the possible credit risk.
- No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- The ageing analysis of notes and accounts receivable (including related parties) that were past due but not impaired is calculated from the past due date as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Up to 90 days	\$ 474,429	\$ 638,161
91 to 180 days	97,506	145,567
181 to 365 days	167,665	336,045
Over 365 days	423,579	315,492
	<u>\$ 1,163,179</u>	<u>\$ 1,435,265</u>

- Movement analysis of notes and accounts receivable (including related parties) that were impaired is as follows:
 - As of December 31, 2017 and 2016, the Group’s notes and accounts receivable that were impaired amounted to \$386,650 and \$406,381, respectively.

b. Movements on the Group's provision for impairment of notes and accounts receivable (including related parties) are as follows:

	Year ended December 31, 2017		
	Individual provision	Group provision	Total
At January 1	\$ 207,856	\$ 198,525	\$ 406,381
Provision (Reversal) of impairment during the year	36,328 (	48,457) (	12,129)
Write-offs during the year	(5,008)	- (	5,008)
Transfer during the year	41,430 (	41,430)	-
Effect of exchange rate	(385)	(2,209)	(2,594)
At December 31	<u>\$ 280,221</u>	<u>\$ 106,429</u>	<u>\$ 386,650</u>

	Year ended December 31, 2016		
	Individual provision	Group provision	Total
At January 1	\$ 191,893	\$ 166,025	\$ 357,918
Provision of impairment during the year	-	74,825	74,825
Write-offs during the year	(11,419) (	148) (	11,567)
Transfer during the year	33,974 (	33,974)	-
Effect of exchange rate	(6,592)	(8,203)	(14,795)
At December 31	<u>\$ 207,856</u>	<u>\$ 198,525</u>	<u>\$ 406,381</u>

v. The credit quality of notes and accounts receivable (including related parties) that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	December 31, 2016
Type A	\$ 23,382	\$ -
Type B	1,794,437	1,823,407
Type C	1,085,224	973,872
	<u>\$ 2,903,043</u>	<u>\$ 2,797,279</u>

Type A: No credit limit. Clients include government institutions and government - owned corporations.

Type B: Credit limit is 130% of the average of transactions in the past year. Clients are

counterparties whose average annual transactions reach NT\$30,000 for the most recent 3 years and who have stable sales and optimal financials.

Type C: Credit limit is gained through assessment based on 'Client Credit Ranking Sheet'.

(c) Liquidity risk

- i. The Group invests in financial assets measured at fair value through profit or loss in active markets, so it expects to sell the financial assets in markets with prices approximate to fair value. Financial assets at cost are not traded in active markets, thus, liquidity risk is expected. However, the Group's operating capital is sufficient to fulfill the Group's capital needs and it does not expect significant liquidity risk.
- ii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities.

Non-derivative financial liabilities

<u>December 31, 2017</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 2,012,182	\$ -	\$ -	\$ -
Notes payable	908,350	-	-	-
Accounts payable (including related parties)	3,933,294	-	-	-
Other payables	544,024	-	-	-
Bonds payable	-	200,199	-	-
Long-term borrowings	-	200,000	-	-

Non-derivative financial liabilities

<u>December 31, 2016</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 1,913,374	\$ -	\$ -	\$ -
Notes payable	858,675	-	-	-
Accounts payable (including related parties)	3,461,338	-	-	-
Other payables	455,018	-	-	-
Bonds payable	-	-	477,153	-

- iii. The Group 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.

(3) Fair value information

- A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A.
- B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

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

entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

- C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2017 and 2016 is as follows:

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 16,933	\$ -	\$ -	\$ 16,933
Call provision of convertible corporate bonds	-	-	210	210
Available-for-sale financial assets	<u>41,502</u>	<u>-</u>	<u>-</u>	<u>41,502</u>
Total	<u>\$ 58,435</u>	<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 58,645</u>
<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 7,247	\$ -	\$ -	\$ 7,247
Call provision of convertible corporate bonds	-	-	50	50
Available-for-sale financial assets	<u>63,853</u>	<u>-</u>	<u>-</u>	<u>63,853</u>
Total	<u>\$ 71,100</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 71,150</u>

- D. Instruments which use market quoted prices as their fair value (that is, Level 1), are using the closing prices of listed shares as market quoted prices based on characteristics of the instruments.

- E. The following chart is the movement of Level 3 for the years ended December 31, 2017 and 2016:

	2017	2016
Beginning balance	\$ 50	\$ -
Additions	-	250
Gain and losses recognised in profit or loss	160	(50)
Ending balance	<u>\$ 210</u>	<u>\$ 200</u>

- F. Investment strategies segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Convertible bond – call provision	\$ 210	Binomial tree pricing model	Volatility	21.31% ~31.31%	The higher the stock price volatility, the higher the fair value
	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Convertible bond – call provision	\$ 50	Binomial tree pricing model	Volatility	18.12% ~28.12%	The higher the stock price volatility, the higher the fair value

- H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

				December 31, 2017			
				Recognised in profit or loss		Recognised in other comprehensive income	
		<u>Input</u>	<u>Change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
Financial assets							
Convertible bond							
- call provision	Interest rate	± 20 bps	\$ -	\$ -	\$ -	\$ -	
	Stock price	± 10%	-	(20)	-	-	
	Volatility	± 5%	50	(60)	-	-	
Total			<u>\$ 50</u>	<u>(\$ 80)</u>	<u>\$ -</u>	<u>\$ -</u>	

				December 31, 2016			
				Recognised in profit or loss		Recognised in other comprehensive income	
		<u>Input</u>	<u>Change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
Financial assets							
Convertible bond							
- call provision	Interest rate	± 20 bps	\$ 10	\$ 10	\$ -	\$ -	
	Stock price	± 10%	30	10	-	-	
	Volatility	± 5%	30	(10)	-	-	
Total			<u>\$ 70</u>	<u>\$ 10</u>	<u>\$ -</u>	<u>\$ -</u>	

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries and associates): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$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: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 4.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions.

The Group is divided into the following 4 segments:

- A. Agency for equipment materials segment: mainly engaged in semiconductor, optoelectronics and other high-tech industrial processing and trading, distribution, after-sale service and technical support of factory equipment and its material, chemicals and parts.
- B. Process system and mechatronic system service segment: mainly contracting electrical, clean room, peripheral system facilities and process, engaged in lump sum contracts, providing integrated services consisting of planning, design, construction, supervision, installation, testing, operational consulting, maintenance and repair for gas, automatic supply system of chemicals, special gas and factory monitor system. Services for general industries such as petrochemical plant, conventional industry plant, mechatronic system for intelligent buildings.
- C. Customized equipment manufacturing segment: mainly engaged in research and development of customized automation equipment and process based on request of customers in semiconductor, optoelectronics and traditional industry.
- D. Other segments: mainly providing repair, cleaning and renewal services to customers' equipment and device in semiconductor, optoelectronics and traditional industry.

(2) Measurement of segment information

Management evaluates the performance of the operating segments based on their operational efficiency. The Group's Chief Operating Decision-Maker allocates resources and assesses performance of the operating segments based on the measurement and it is measured in a manner consistent with operating income in the consolidated statement of comprehensive income. There is no material change in the operating segments' accounting policies and accounting estimates and assumptions.

(3) Segment profit information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the years ended December 31, 2017 and 2016 is as follows:

	Year ended December 31, 2017				
	Sales and services for equipment materials segment	Facility system and mechanic & electric system service segment	Customized equipment manufacturing segment	Other segments	Total
Revenue from external customers	\$ 3,190,164	\$ 11,885,187	\$ 5,136,268	\$ 375	\$ 20,211,994
Inter-segment revenue	103,945	99,673	2,423	4,784	210,825
Total segment revenue	\$ 3,294,109	\$ 11,984,860	\$ 5,138,691	\$ 5,159	\$ 20,422,819
Segment profit (loss)	\$ 221,021	\$ 164,775	\$ 420,955	(\$ 6,052)	\$ 800,699
Segment profit including: Depreciation and amortisation	\$ 13,168	\$ 60,720	\$ 51,958	\$ 3,705	\$ 129,551

	Year ended December 31, 2016				
	Sales and services for equipment materials segment	Facility system and mechanic & electric system service segment	Customized equipment manufacturing segment	Other segments	Total
Revenue from external customers	\$ 3,261,854	\$ 11,254,755	\$ 4,120,202	\$ 14,130	\$ 18,650,941
Inter-segment revenue	160,425	99,364	15,684	5,681	281,154
Total segment revenue	\$ 3,422,279	\$ 11,354,119	\$ 4,135,886	\$ 19,811	\$ 18,932,095
Segment profit (loss)	\$ 224,976	\$ 127,468	\$ 355,194	(\$ 7,338)	\$ 700,300
Segment profit including:					
Depreciation and amortisation	\$ 8,369	\$ 62,716	\$ 47,050	\$ 3,987	\$ 122,122

(4) Reconciliation for segment income (loss)

Sales and services between segments are carried out at arm's length. The revenue and financial information from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segment income or loss to the income before tax from continuing operations for the years ended December 31, 2017 and 2016 is provided as follows:

	Years ended December 31,	
	2017	2016
Reportable segments income	\$ 806,751	\$ 707,638
Other reportable segments loss	(6,052)	(7,338)
Total segments	800,699	700,300
Other gains and losses	55,651	21,015
Finance costs	(62,688)	(56,596)
Gain on disposal of investments	35,556	7,894
Impairment loss on financial assets	(15,243)	-
Income before tax from continuing operations	\$ 813,975	\$ 672,613

(5) Information on products

Details of revenue balance is as follows:

	Years ended December 31,	
	2017	2016
R&D and manufacturing of customized equipment	\$ 5,980,118	\$ 4,926,629
Sales and service of high-tech equipment and materials	5,051,537	5,139,244
Total Facility Engineering Turnkey Project	4,716,085	4,530,809
Automatic supplying system	4,464,254	4,054,259
Total	\$ 20,211,994	\$ 18,650,941

(6) Geographical information

Financial information by geographical area for the years ended December 31, 2017 and 2016 is as follows:

	Years ended December 31,			
	2017		2016	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 8,371,819	\$ 1,478,535	\$ 8,759,422	\$ 1,148,603
China	6,452,850	179,695	5,601,629	205,832
Others	5,387,325	271,635	4,289,890	100,753
Total	<u>\$ 20,211,994</u>	<u>\$ 1,929,865</u>	<u>\$ 18,650,941</u>	<u>\$ 1,455,188</u>

Note: Revenue is classified based on geographic location of customers and non-current assets are classified based on assets location.

(7) Major customer information

Information of customers whose revenue exceeds 10% of the total operating revenue for the years ended December 31, 2017 and 2016:

	Years ended December 31,			
	2017		2016	
	Revenue	Segment	Revenue	Segment
Customer A	\$ 2,823,781	Facility system and mechanic & electric system service segment	\$ 2,966,910	Facility system and mechanic & electric system service segment
Customer B	2,102,001	R&D and manufacturing of customized equipment segment	1,885,260	R&D and manufacturing of customized equipment segment

Note: Operating revenue from other customers does not exceed 10% of consolidated operating revenue.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Loans to others

For the year ended December 31, 2017

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2017 (Note 2)	Balance at December 31, 2017 (Note 6)	Actual amount drawn down	Interest rate (%)	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for bad debts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Marketech International Corp.	Marketech International Sdn.Bhd.	Other receivables	Y	\$ 87,522	\$ 55,056	\$ 55,056	4.616	2	\$ -	Operations	\$ -	None	-	\$ 2,057,991	\$ 2,057,991	Note 4
1	MIC-Tech Electronics Engineering Corp.	MIC-Tech (Shanghai) Corp.	Other receivables	Y	31,065	-	-	-	2	-	Operations	-	None	-	375,894	375,894	Note 5
1	MIC-Tech Electronics Engineering Corp.	Integrated Manufacturing & Services Co., Ltd.	Other receivables	Y	9,234	-	-	-	2	-	Operations	-	None	-	375,894	375,894	Note 5
1	MIC-Tech Electronics Engineering Corp.	Fuzhou Jiwei System Integrated Co., Ltd.	Other receivables	Y	1,371	1,369	1,369	4.35	2	-	Operations	-	None	-	375,894	375,894	Note 5
1	MIC-Tech Electronics Engineering Corp.	ChenGao M&E Engineering (Shanghai) Co., Ltd.	Other receivables	Y	2,054	2,054	2,054	4.785	2	-	Operations	-	None	-	375,894	375,894	Note 5
1	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	Other receivables	Y	61,707	57,060	57,060	4.35-4.785	2	-	Operations	-	None	-	187,947	375,894	Note 5
2	MIC-Tech (WuXi) Co., Ltd.	Shanghai Maohua Electronics Engineering Co., Ltd.	Other receivables	Y	6,925	-	-	-	2	-	Operations	-	None	-	9,535	19,070	Note 5
2	MIC-Tech (WuXi) Co., Ltd.	Integrated Manufacturing & Services Co., Ltd.	Other receivables	Y	13,851	-	-	-	2	-	Operations	-	None	-	19,070	19,070	Note 5
3	MIC-Tech (Shanghai) Corp.	Integrated Manufacturing & Services Co., Ltd.	Other receivables	Y	19,198	16,890	16,890	5.0025	2	-	Operations	-	None	-	269,635	269,635	Note 5
3	MIC-Tech (Shanghai) Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	Other receivables	Y	18,259	18,259	18,259	4.785	2	-	Operations	-	None	-	134,818	269,635	Note 5
3	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Other receivables	Y	118,047	84,906	84,906	4.35-5.0025	2	-	Operations	-	None	-	269,635	269,635	Note 5
4	MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech Electronics Engineering Corp.	Other receivables	Y	48,375	44,640	-	4.616	2	-	Operations	-	None	-	414,804	829,608	Note 4

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2017.

Note 3: Fill in the nature of the loan as follows:

- (1) Fill in 1 for business transactions and the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.
- (2) Fill in 2 for short-term financing and the purpose of loan, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 4: Limit on the loans from the Company and MIC-Tech Ventures Asia Pacific Inc.:

- (1) Limit on the accumulated balance of loans to others provided by the foreign companies whose voting rights are 100% owned directly and indirectly by the Company is 80% of the net assets based on the latest financial statements of subsidiaries who receive the loans. The following (2) and (3) do not apply to the limit.
- (2) For business transactions, limit on loans granted for a single party is the amount of the transactions. The amount of the transactions is the higher value of purchasing and selling during current year on the year of financing.
- (3) For short-term financing, limit on loans granted for a single party is 40% of the net assets of the lending companies. The amount of loans to a single party with short-term financing is the accumulated balance of the Company's short-term financing.
- (4) Limit of the accumulated balance of loans from (2) and (3) is 40% of the net assets based on the latest financial statements of the lending companies.

Note 5: Limit on the loans provided by the Company's mainland subsidiaries:

- (1) Limit on the total loans to others provided by the Company's mainland subsidiaries is 80% of the net assets based on the latest financial statements of the lending companies.
- (2) Limit on the loans provided by the Company's mainland subsidiaries granted for a single party are as follows:
 - (2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.
 - (2-2) For short-term financing between the Company's mainland subsidiary and the foreign companies which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.
 - (2-3) For short-term financing between the Company's mainland subsidiaries and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Note 6: The ending balance is the amount resolved by the Board of Directors.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2017

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2017 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2017 (Note 6)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	2	\$ 2,572,489	\$ 66,346	\$ 54,389	\$ 49,156	-	1.06%	\$ 5,144,977	Y	N	N	Note 3
0	Marketech International Corp.	Marketech Integrated Sdn. Bhd.	2	2,572,489	148,800	148,800	20,342	-	2.89%	5,144,977	Y	N	N	Note 3
0	Marketech International Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	3	2,572,489	31,996	31,954	-	-	0.62%	5,144,977	Y	N	Y	Note 3
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	3	2,572,489	319,275	294,624	294,624	-	5.73%	5,144,977	Y	N	Y	Note 3
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	3	2,572,489	987,298	946,884	451,463	-	18.4%	5,144,977	Y	N	Y	Note 3
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	3	2,572,489	1,450,270	1,313,572	762,575	-	25.53%	5,144,977	Y	N	Y	Note 3
0	Marketech International Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	3	2,572,489	93,444	91,399	15,872	-	1.78%	5,144,977	Y	N	Y	Note 3
0	Marketech International Corp.	Special Triumph Sdn. Bhd.	5	2,572,489	39,309	39,309	24,738	-	0.76%	5,144,977	N	N	N	Note 3
1	Marketech Co., Ltd.	MIC-Tech Viet Nam Co., Ltd.	3	12,005	8,320	7,675	7,675	-	191.78%	20,009	N	N	N	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (WuXi) Co., Ltd.	3	1,409,603	4,340	4,291	4,291	-	0.91%	2,349,339	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	5	1,409,603	71,415	71,321	71,321	-	15.18%	2,349,339	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (Shanghai) Corp.	3	1,409,603	169,222	109,508	109,508	-	23.31%	2,349,339	N	N	Y	Note 4
2	MIC-Tech (Shanghai) Corp.	MIC-Tech Electronics Engineering Corp.	3	1,011,132	629,272	629,272	629,272	-	186.70%	1,685,221	N	N	Y	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Limit on endorsements and guarantees stated in "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies":

- (1) In accordance with mutual guarantee requirement in the same industry for contracting constructions, limit on the total amount is 5 times of the Company's net assets.
- (2) Except for guarantees for contracting constructions, limit on the Company's accumulated endorsement/guarantee is the Company's net assets; limit on endorsement/guarantee to a single party is 50% of the Company's net assets. Limit on the total endorsement/guarantee of the Company and its subsidiaries as a whole is 1.5 times of the Company's net assets; limit on endorsement/guarantee to a single party is 75% of the Company's net assets.

Note 4: Limit on endorsements and guarantees of the Group's subsidiary - Marketech Co., Ltd.:

- (1) In accordance with mutual guarantee requirement in the same industry or the common builders for contracting constructions, or provision of endorsements and guarantees for joint ventures from shareholders in proportion to shareholding ratio, limit on the total amount is 5 times of the net assets of Marketech Co., Ltd.. Limit on endorsement/guarantee to a single party is three times of the net assets of Marketech Co., Ltd..
- (2) Except for (1), the Group follows standards of endorsements and guarantees as below:
 - (2-1) Total amount: (2-1-1) Limit on the accumulated endorsements and guarantees is 5 times of the net assets of Marketech Co., Ltd.;
 - (2-1-2) Limit on endorsements and guarantees to a company of which the endorser company and the ultimate parent company directly or indirectly holds 90%, should meet the requirement in (2-1-1) and may not exceed 10% of the ultimate parent's net assets. However,

the endorsements and guarantees of Marketech Co., Ltd. to the ultimate parent which it holds 100% of voting shares are not subjected.

(2-1-3) Total endorsements and guarantees of Marketech Co., Ltd. and its subsidiaries are limited to 5 times of the net assets of Marketech Co., Ltd..

(2-2) Limit on endorsement/guarantee to a single party

(2-2-1) For the companies having business relationship with Marketech Co., Ltd. and thus being provided endorsements/guarantees, limit on endorsements to a single party is the total value of business transactions within past 12 months.

(the value of business transactions is the higher of purchase or sales)

(2-2-2) Limit on endorsement/guarantee to a single party who having business relationship with the Group is 3 times of the net assets of Marketech Co., Ltd..

Limit on endorsements and guarantees of the Group's subsidiary - MIC-Tech Electronics Engineering Corp. and MIC-Tech (Shanghai) Corp.:

(1) In accordance with mutual guarantee requirement in the same industry or the common builders for contracting constructions, or provision of endorsements and guarantees for joint ventures from shareholders in proportion to shareholding ratio, limit on the total amount is 5 times of the net assets of the endorser/guarantor on endorsement/guarantee to a single party is three times of the net assets of the endorser/guarantor.

(2) Except for (1), the Group follows standards of endorsements and guarantees as below:

(2-1) Total amount: (2-1-1) Limit on the accumulated endorsements and guarantees is 5 times of the net assets of the endorser/guarantor;

(2-1-2) Limit on endorsements and guarantees to a company of which the endorser company and the ultimate parent company directly or indirectly holds 90%, should meet the requirement in (2-1-1) and may not exceed 10% of the ultimate parent's net assets.

(2-1-3) Total endorsements and guarantees of the endorser/guarantor and its subsidiaries are limited to 5 times of the net assets of the endorser/guarantor.

(2-2) Limit on endorsement/guarantee to a single party

(2-2-1) For the companies having business relationship with the endorser/guarantor and thus being provided endorsements/guarantees, limit on endorsements to a single party is the total value of business transactions within past 12 months.

(the value of business transactions is the higher of purchase or sales)

(2-2-2) Limit on endorsement/guarantee to a single party who having business relationship with the Group is 3 times of the net assets of the endorser/guarantor.

Note 5: Fill in the nine months-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: As of the balance sheet date, companies which provide contracts or notes for endorsements/guarantees to banks bear the responsibility of endorsements/guarantees as credit limit of the contracts or notes are approved. Other related endorsements/guarantees should be included in the outstanding balance of endorsements/guarantees. The outstanding balance is the amount resolved by the Company's Board of Directors.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2017

Table 3

 Expressed in thousands of NTD
 (Except as otherwise indicated)

As of December 31, 2017										
Securities held by	Type of marketable securities	Name of marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	Number of shares	Book value (Note 2)	Ownership (%)	Fair value	Collateral	Footnote
Marketech International Corp.	Ordinary shares	Lasertec Corporation	None	Financial assets measured at fair value through profit or loss - current	20,000	\$ 15,038	-	\$ 15,038	None	
"	"	Solar Applied Materials Technology Corp.	"	"	44,078	934	-	934	"	
"	"	Aerospace Industrial Development Corp.	"	"	25,925	961	-	961	"	
						\$ 16,933		\$ 16,933		
"	Ordinary shares	Calitech Co., Ltd.	None	Available-for-sale financial assets - current	1,409,119	\$ 41,502	4.71%	\$ 41,502	None	
"	Ordinary shares	Taiwan Colour & Imaging Technology Corp.	None	Financial assets measured at cost - non-current	1,700,000	\$ 25,330	13.03%	\$ -	None	
"	"	Taiwan Puritic Corp.	"	"	6,191,181	39,287	10.32%	-	"	
"	"	SOPower Technology Corp.	"	"	189,223	-	12.61%	-	"	
"	"	VEEV Interactive Pte. Ltd.	"	"	840,000	-	6.45%	-	"	
"	"	Taiwan Intelligent Fiber Optic Network Co., Ltd.	"	"	3,868,261	44,024	1.58%	-	"	
"	"	H&D Venture Capital Investment Corp.	Entities controlled by key management or entities with significant influence	"	832,000	8,320	6.67%	-	"	
"	"	Civil Tech Pte. Ltd.	None	"	362,249	13,650	0.65%	-	"	
"	"	ProbeLeader Co., Ltd.	Entities controlled by key management or entities with significant influence	"	966,000	14,490	3.46%	-	"	
"	"	Top Green Energy Technologies, Inc.	None	"	1,111,111	3,000	0.89%	-	"	
"	"	IP Fund Six Co., Ltd.	"	"	1,000,000	10,000	1.79%	-	"	
"	"	Innorich Venture Capital Corp.	"	"	1,000,000	10,000	1.87%	-	"	
"	"	Taiwan Foresight Co., Ltd.	"	"	380,000	4,750	2.24%	-	"	
"	"	Long Time Technology Corp.	"	"	346,000	6,516	0.76%	-	"	
"	"	Paradigm Venture Capital Corp.	"	"	100,208	1,002	3.50%	-	"	
"	"	Taiwan Special Chemicals Corp.	"	"	2,901,333	29,013	1.00%	-	"	
"	"	BMR Technology Corp.	"	"	2,449,717	-	18.47%	-	"	
"	"	Atech Totalsolution Co., Ltd.	"	"	128,000	-	0.23%	-	"	
"	"	East Wind Life Science Systems	"	"	124,457	-	12.87%	-	"	
"	"	EcoLand Corp.	"	"	310,715	8,700	13.51%	-	"	
"	"	Radisen Co. Ltd	"	"	70,000	9,545	17.50%	-	"	
"	"	Foresight Energy Technologies Co., Ltd.	"	"	1,350,000	10,875	4.50%	-	"	
"	"	Sum Capital Healthcare Investment Corp. (BE Healthcare Investment Co., Ltd.)	Entities controlled by key management or entities with significant influence	"	943,050	9,431	8.14%	-	"	
"	"	Intellicares co., Ltd	"	"	200,000	2,000	19.99%	-	"	
"	Preferred stock	Engenuity System, Inc.	None	"	833,334	-	Note 3	-	"	
"	"	ACM Research Inc.	"	"	266,667	-	"	-	"	
"	"	Applied Harmonics Corporation	"	"	237,179	-	"	-	"	
"	"	Adant Technologies Inc.	"	"	174,520	6,509	"	-	"	
"	"	Kinestral Technologies, Inc.	"	"	418,760	21,165	"	-	"	
MIC-Tech (Shanghai) Corp. Ltd.	Ordinary shares	MIC-Tech (Beijing) Environment Co.	Entities controlled by key management or entities with significant influence	"	-	1,736	19.00%	-	"	Note 4
	Total					\$ 279,343				

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 3: Holding preferred stock.

Note 4: The initial investment in the investee, MIC-Tech (Beijing) Environment Co., is translated at the exchange rate at December 31, 2017.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
 Significant inter-company transactions during the reporting period
 For the year ended December 31, 2017

Table 4

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Sales revenue	\$ 42,893	Sales revenue: Prices and terms of sales of goods to related parties are approximately the same to third parties. A certain percentage of profit is negotiated for sale of services with related parties. Construction revenue: The price of construction charges to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the collection terms to related parties are approximately the same to third parties, which is about 2 to 3 months after inspection of constructions depending on the construction contracts or individual agreements.	0.21%
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Non-operating revenue	8,835		0.04%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Non-operating revenue	18,975		0.09%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Construction revenue	11,841		0.06%
0	Marketech International Corp.	Marketech International Sdn. Bhd.	1	Other receivables	57,451		0.36%
0	Marketech International Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	1	Construction revenue	18,567		0.09%
1	eZoom Information, Inc.	Marketech International Corp.	2	Services revenue	36,286		0.18%
2	MIC-Tech Global Corp.	Marketech International Corp.	2	Sales revenue	43,609		0.22%
2	MIC-Tech Global Corp.	MIC-Tech (Shanghai) Corp.	3	Sales revenue	10,113		0.05%
3	MIC-Tech Electronics Engineering Corp.	Marketech International Corp.	3	Accounts payable	10,313		0.06%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	3	Other receivables	57,060	0.36%	
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	3	Accounts payable	9,795	0.06%	
4	Shanghai Maohua Electronics Engineering Co.,Ltd.	MIC-Tech Electronics Engineering Corp.	3	Construction revenue	15,735	0.08%	
4	Shanghai Maohua Electronics Engineering Co.,Ltd.	Marketech International Corp.	2	Construction revenue	8,874	0.04%	
4	Shanghai Maohua Electronics Engineering Co.,Ltd.	Marketech International Corp.	2	Accounts receivables	9,541	0.06%	
5	MIC-Tech (Shanghai) Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	3	Other receivables	18,259	0.11%	
5	MIC-Tech (Shanghai) Corp.	Integrated Manufacturing & Services Co., Ltd.	3	Other receivables	16,890	0.11%	
5	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co. Ltd.	3	Other receivables	84,906	0.53%	

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Individual amounts less than \$5,000 are not disclosed.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Information on investees

For the year ended December 31, 2017

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note2)		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 1)	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Singapore	Contracting for semiconductor automatic supply system	\$ 192,522	\$ 160,177	8,225,040	100	(\$ 6,081)	(\$ 15,988)	(\$ 15,988)	The Company's subsidiary
Marketech International Corp.	Market Go Profits Ltd.	Virgin Islands	Investment holding and reinvestment	1,245,570	1,209,166	38,369,104	100	1,038,755	(74,893)	(74,893)	The Company's subsidiary
Marketech International Corp.	MIC-Tech Global Corp.	South Korea	International trade	19,147	19,147	131,560	100	7,706	(6,436)	(3,537)	The Company's subsidiary
Marketech International Corp.	Headquarter International Ltd.	Virgin Islands	Investment holding and reinvestment	42,475	42,475	1,289,367	100	37,958	(1,179)	(1,179)	The Company's subsidiary
Marketech International Corp.	Tiger United Finance Ltd.	Virgin Islands	Investment holding and reinvestment	46,475	46,475	1,410,367	100	37,107	(646)	(646)	The Company's subsidiary
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Singapore	Contracting for electrical installing construction	10,129	10,129	421,087	100	2,448	(2,129)	(2,129)	The Company's subsidiary
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Myanmar	Design, manufacturing, installation of automatic production equipment and its parts	438,298	112,973	1,400,000	100	396,325	(5,590)	(5,590)	The Company's subsidiary
Marketech International Corp.	MIC-Tech Viet Nam Co., Ltd.	Vietnam	Trading, installation and repair of various machinery equipment and its peripherals	39,345	39,345	-	100	30,802	(1,890)	(1,890)	The Company's subsidiary
Marketech International Corp.	Marketech Co., Ltd.	Vietnam	Specialized contracting and related repair services; equipment sales and repair; sales of cosmetics and daily necessities	29,922	29,922	-	100	4,002	(5,145)	(5,145)	The Company's subsidiary
Marketech International Corp.	eZoom Information, Inc.	Taiwan	Research, trading and consulting of information system software and hardware appliance	67,737	57,737	7,200,000	100	31,690	(1,835)	(1,835)	The Company's subsidiary
Marketech International Corp.	Marketech International Sdn.Bhd.	Malaysia	Specialized contracting and related repair services	44,262	44,262	6,258,750	51.12	29,533	5,079	2,596	The Company's subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note2)		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 1)	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Marketech International Corp.	ADAT Technology Ltd.	Taiwan	The research, development, application, and service of software; supply of electronic information and the buying and selling of equipment	\$ 10,000	\$ -	1,000,000	83.33	\$ 6,029	(\$ 4,765)	(3,971)	The Company's subsidiary
Marketech International Corp.	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	38,042	38,042	1,199,000	99.92	35,649	124	124	The Company's subsidiary
Marketech International Corp.	Marketech Netherlands B.V	Netherlands	International trade business of machine and components and technical service	10,671	-	300,000	100	10,453	(211)	(211)	The Company's subsidiary
Marketech International Corp.	Glory Technology Service Inc..	Taiwan	Sale and installation of information and communication equipment	31,019	21,408	4,093,215	34.11	46,153	9,152	3,158	The Company's investee accounted for using equity method
Marketech International Corp.	MIC Techno Co., Ltd.	Taiwan	Sale of panels and its materials	2,000	2,000	200,000	20	1,849	(76)	(15)	The Company's investee accounted for using equity method
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Cayman Islands	Investment holding and reinvestment	1,240,073	1,203,669	38,266,604	100	1,037,010	(74,747)	-	The investor's subsidiary
Marketech Integrated Pte Ltd.	Marketech International Sdn. Bhd.	Malaysia	Specialized contracting and related repair services	42,319	42,319	5,984,000	48.88	29,378	5,079	-	The Company's investee accounted for using equity method
Marketech Engineering Pte Ltd.	Marketech Integrated Construction Co., Ltd.	Myanmar	Contracting for electrical installing construction	8,569	8,569	28,500	95	1,906	(2,101)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Rusky H.K. Limited	Hong Kong	Investment holding and reinvestment	34,551	28,521	833,000	100	(16,196)	1,854	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co. Limited	Hong Kong	Investment holding and reinvestment	31,422	31,422	2,337,608	100	5,636	(401)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Hong Kong	Investment holding and reinvestment	95,290	58,887	4,200,000	100	31,455	(5,152)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Leader Fortune Enterprise Co., Ltd.	Samoa	Investment holding and reinvestment	8,990	8,990	303,000	31.43	4,115	6,078	-	The investor's investee accounted for using equity method
Rusky H.K. Limited	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	32	32	1,000	0.08	30	124	-	The investor's investee accounted for using equity method

Note 1: The amount of \$0 means that the Company does not directly recognise gain or loss on investments.

Note 2: Except for subsidiaries in Malaysia are translated at the current rate as of December 31, 2017, the initial investment amounts of other investees are translated at the current rate as of the investment date.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

Information on investments in Mainland China

For the year ended December 31, 2017

Table 6

1. Basic information

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 (Note 3)	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MIC-Tech (WuXi) Co., Ltd.	Design, manufacturing, installation and maintenance of semiconductor device, crystal dedicated device, electronic component device, environment pollution preventing equipment; assembling of wrapping device and cooling equipment; assembling of barbecue grill; wholesale, commission agency and import and export of the aforementioned products their components, textile, commodities, chemical products and cosmetics; lease of self-owned plants; design, manufacturing, sales and installation of automatic warehousing equipment and accessories, automatic logistics transporting equipment and accessories; R&D, sales and installation of supplementary engineering in logistics dispatch system	\$ 758,880	Note 1(2)	\$ 610,080	\$ -	\$ -	\$ 610,080	(\$ 2,055)	100	(\$ 1,483)	\$ 20,529	\$ -	Note 2 (2)B
MIC-Tech (Shanghai) Corp.	Wholesale, commission agency, maintenance, repairment, manufacture, import and export of semiconductor production, inspection equipment and its consumables and boilers that generate electricity; storage and allocation of mainly chemical and boiler products; international and entrepot trade; trading and trading agency among enterprises in customs bonded area; consulting services in customs bonded area	245,252	Note 1(2)	14,880	-	-	14,880	17,980	100	17,980	337,044	-	Note 2 (2)B
Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	8,928	Note 1(2)	8,928	-	-	8,928	(895)	100	(895)	(1,734)	-	Note 2 (2)B
Shanghai Maohua Electronics Engineering Co.,Ltd.	Production of scrubber bins for semiconductor manufacturers, design, installation, debugging and technology services of tunnel system, equipment repair for semiconductor manufacturers, consulting service for electrical and medical equipment; wholesale, commissioned distribution (exclude auction), export, import and related services of electronic products, machinery equipment, chemical products (exclude dangerous articles), communication equipment, metal products, plastic products	17,856	Note 1(2)	17,945	-	-	17,945	1,317	87	2,060	(16,389)	-	Note 2 (2)B
MIC-Tech Electronics Engineering Corp.	General contracting for electrical installing construction, specialized contracting for electrical installing construction, specialized contracting for electronic engineering, specialized contracting for petroleum and chemical equipment installation, specialized contracting for channel and guarantee for post construction and consulting service for related construction technology	524,341	Note 1(2)	253,555	-	-	253,555	(91,119)	100	(91,119)	469,868	-	Note 2 (2)B
SKMIC (WUXI) Corp.	Design, installation and repairment of semi-conductor and transistor facilities, electronic components facilities and pollution prevention equipment, as well as wholesale, commission agent and export/import business of products listed above, industrial cleaning, repairment and maintenance.	\$ 9,077	Note 1(2)	\$ 1,458	\$ -	\$ -	\$ 1,458	(\$ 4,861)	49	(\$ 2,382)	\$ 161	\$ -	Note 2 (2)B
ChenGao M&E Engineering (Shanghai) Co., Ltd.	Design of microelectronic products and display devices, consulting service for related technology and management	5,952	Note 1(2)	5,952	-	-	5,952	(149)	100	(149)	(2,660)	-	Note 2 (2)B
Frontken-MIC (Wuxi) Co., Ltd.	Research of specialized cleaning equipment of semiconductor device and integrated circuit, cleaning of special components of semiconductor device, integrated circuit and micromodule and cleaning technology for semiconductors, assembling, installation and maintenance of cooling equipment; design, manufacture, sale and installation of automatic warehouse equipment and fittings, and automatic logistics transporting equipment and fittings; development, sale and installation of computer aided engineering; wholesale, commission, import and export of above products and parts	68,686	Note 1(2)	27,474	-	-	27,474	(374)	100	(374)	5,616	-	Note 2 (2)B
Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and micro-display module, and production, cleaning and regeneration of new electrical device	124,992	Note 1(2)	44,640	35,712	-	80,352	(5,152)	100	(5,152)	30,712	-	Note 2 (2)B

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 (Note 3)	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MIC-Tech China Trading (Shanghai) Co., Ltd.	Wholesale, commission agency and import and export of chemical products (except for hazardous chemicals, chemicals used in production of narcotic drugs and psychotropic substances and special chemicals), semiconductors, inspection equipment and its consumables, solar equipment consumables and boilers that generate electricity, International and entrepot trade, trading and trading agency among enterprises in customs bonded area, consulting service for trading, installation, repair, and maintenance of automation equipment, electronic equipment, and their parts	44,640	Note 1(2)	44,640	-	-	44,640	(13,502)	100	(13,502)	25,270	-	Note 2 (2)B
Macrotec Technology (Shanghai) Co., Ltd.	Wholesale, commission agency, import and export and other complementary service of electrical products, food, textile, commodities, cosmetics, valve switch, instrumentation, metal products, electrical equipment, International and entrepot trade, trading and trading agency among enterprises in customs bonded area, simple commercial processing in customs bonded area, and consulting service for trading in customs bonded area	\$ 28,477	Note 1(2)	\$ 8,950	\$ -	\$ -	\$ 8,950	\$ 6,107	31.43	\$ 1,919	\$ 4,105	\$ -	Note 2 (2)B

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in Market Go Profits Ltd., which then invested in the investee in Mainland China.
- (3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2017' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. Others - unreviewed financial statements.

Note 3: Paid-in capital and investment amount were translated at the original currency times exchange rate at period end.

2. Limit on investees in Mainland China

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 (Note 1) (Note 2)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Marketech International Corp.	\$ 1,085,936	\$ 1,908,120	\$ 3,086,986

Note 1: The amount was translated at the original currency times exchange rate at period end.

Note 2: The Company has sold WUXI Probeleader Electronics Co., Ltd. at the end of November 2011. As the accumulated investment was different from the investment collected back, the difference between accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 and accumulated amount of remittance from Taiwan to Mainland China registered at and approved by MOEA was US\$186 thousand.

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND
2016

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
Marketech International Corp.

Opinion

We have audited the accompanying parent company only balance sheets of Marketech International Corp. (the “Company”) as at December 31, 2017 and 2016, and the parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the company as at December 31, 2017 and 2016, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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 (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company. parent company only financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recognition of construction revenue

Description

Please refer to Notes 4(12) and 4(28) for accounting policy on construction contract and revenue. Please refer to Note 5(2) for the details of uncertainty of construction contract accounting estimation and assumption. Please refer to Notes 6(21) and 6(6) for description on construction revenue and construction cost.

The Company recognized revenue and profit by using the percentage of completion method. This method is also being used to calculate the cost in each contract at the year-end. The management will re-evaluate the cost if the budget had increased or decreased, and depending on the cost after adjustment to recalculate the percentage of completion. The construction revenue may be affected by the appropriateness of determination of cost and estimated cost. Thus, we considered this as one of the key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

- A. Obtained an understanding of the managements' control system and tested it, if the contract had been created or had significantly changed in estimation of construction cost.
- B. Obtained the newly added construction contract list for this fiscal year, and ensured that the total contract price is equal to the amount being used to calculate construction revenue. Ensured that any additional construction supplement can be traced back to supplementary contracts.
- C. Checked the construction cost estimation sheets incurred in the current period, and sampling the basis of estimation and subcontracting amount, and ensured it has been approved appropriately by the management.
- D. Checked the rationality of significant changes in estimation of construction cost, and sample tested whether the revised plan has been approved by the management.
- E. Obtained the billing details, and selected samples of related vouchers by using statistical procedure to check the correctness of input cost in engineering reports and computation of percentage of completion.

Valuation on inventories

Description

Please refer to Note 4(11) for description of accounting policy on inventory valuation. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to inventory valuation. Please refer to Note 6(6) for the description of inventory.

The Company is primarily engaged in import and export trading business, which include integrated circuit, electronic equipment, and materials, components used on electronic equipment. Due to the rapid technological changes, the semiconductor equipment industry has become more and more competitive, and the product price frequently changes. Therefore, the Company is now exposed to risk on inventory valuation loss and slow-moving inventory. Inventories are stated at the lower of cost or net realizable value, and slow-moving inventories are assessed using specific identification method to estimate the allowance for inventory valuation losses.

The base stock of inventories are based on assumptions of future demand and development plan. Due to the large quantity of inventories for sale, and since the amounts involved are significant, the determination of net realizable value for obsolete or slow-moving inventory involves subjective judgement resulting in high degree of estimation uncertainty. As a result of the high uncertainties in these estimates, we considered this is one of the key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

- A. Assessed the policy of allowance for inventory valuation loss, based on our understanding of the operations and industry of the company.
- B. Tested whether the basis of market value used in calculating the net realizable value of inventory is consistent with the policy of the company and validated selling prices of selected samples of respective inventory and their accuracy of net realizable value calculation.
- C. Acquired management's individually identified out-of-date inventory list, inspected the related supporting documents and proper recognition in the financial statements.

Valuation of allowance of accounts receivable

Description

Please refer to Note 4(8) for accounting policy of accounts receivable. Please refer to Note 5(2) for accounting estimates and assumption uncertainty in relation to accounts receivable. Please refer to Note 6(5) for the description of accounts receivable.

First, the Company assessed the significant accounts receivable individually, and those that are not significant can be assessed either individually or collectively. If there is no impairment after individual assessment, then the group of accounts receivable will be subject to collectively assessment. If the accounts receivable over a certain age is significant, the management will re-examine the collectibility, and assesses each case for possible impairment. Management uses professional judgement during the process, and accounting estimates have a high possibility of becoming inappropriate. The professional judgement may be affected by the following factors. Such as customer's financial status, internal credit rating, order history, and economic situation. Thus, obtaining the supporting documents which management used for judgement is important. Thus, we considered the assessment on allowance for bad debts as one of our key audit matters.

How our audit addressed the matter

We tailored the major audit scope as follows:

- A. Obtained an understanding of the process which management used to evaluate the collectibility of accounts receivable.
- B. Ensured that the classification of impairment in the group of accounts receivable is appropriate and in accordance with the Company's accounting policy.
- C. Checked the details of significant impairment recognised by the management, against the supporting documents to verify appropriateness.
- D. Verified the subsequent collections details of significant accounts receivable.
- E. Obtained the details of significant accounts receivable which have not yet been collected at the year end, and re-evaluated the appropriateness.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

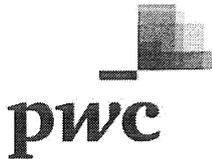
Those charged with governance, including the audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

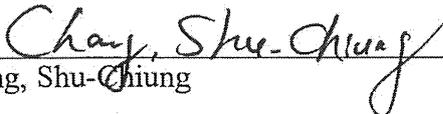
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

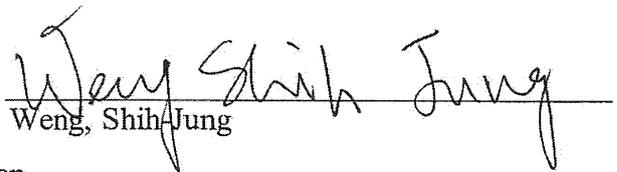
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


Chang, Shu-Chiung


Weng, Shih-Jung

For and on behalf of PricewaterhouseCoopers, Taiwan

February 24, 2018

The accompanying parent company only 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 parent company only 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.

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 750,892	6	\$ 881,517	8
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		17,143	-	7,297	-
1125	Available-for-sale financial assets	6(3)				
	- current		41,502	-	63,853	1
1150	Notes receivable, net	6(4)	64,957	1	136,651	1
1170	Accounts receivable, net	6(5)	2,650,543	21	2,642,947	24
1180	Accounts receivable - related	7				
	parties, net		7,102	-	11,098	-
1190	Construction contracts receivable	6(7) and 7	2,398,711	19	1,935,864	17
1200	Other receivables	7	83,714	1	85,969	1
130X	Inventories, net	6(6)	2,295,799	18	1,949,583	18
1410	Prepayments		475,970	4	305,882	3
1470	Other current assets	8	32,996	-	19,882	-
11XX	Total current assets		<u>8,819,329</u>	<u>70</u>	<u>8,040,543</u>	<u>73</u>
Non-current assets						
1543	Financial assets at cost-non-	6(8)				
	current		277,607	2	254,873	2
1550	Investments accounted for using	6(9)				
	equity method		1,716,459	15	1,471,719	14
1600	Property, plant and equipment,	6(10) and 7				
	net		1,453,359	12	1,120,544	10
1780	Intangible assets	7	15,270	-	15,515	-
1840	Deferred tax assets	6(25)	122,914	1	113,923	1
1900	Other non-current assets	6(10)	16,430	-	20,757	-
15XX	Total non-current assets		<u>3,602,039</u>	<u>30</u>	<u>2,997,331</u>	<u>27</u>
1XXX	Total Assets		<u>\$ 12,421,368</u>	<u>100</u>	<u>\$ 11,037,874</u>	<u>100</u>

(Continued)

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 650,000	5	\$ 550,000	5
2150	Notes payable		908,350	7	858,352	8
2170	Accounts payable		2,582,979	21	2,339,645	21
2180	Accounts payable - related parties	7	19,944	-	24,306	-
2190	Construction contracts payable	6(7)	1,278,326	10	1,136,463	10
2200	Other payables	6(12)	407,884	3	338,486	3
2230	Current tax liabilities		96,090	1	93,751	1
2310	Advance receipts	6(13)	760,815	6	423,408	4
2399	Other current liabilities, others		11,639	-	9,566	-
21XX	Total current liabilities		<u>6,716,027</u>	<u>53</u>	<u>5,773,977</u>	<u>52</u>
Non-current liabilities						
2530	Corporate bonds payable	6(14)	200,199	2	477,153	5
2540	Long-term borrowings	6(15)	200,000	3	-	-
2570	Deferred tax liabilities	6(25)	-	-	10,350	-
2640	Net defined benefit liability - non-current	6(16)	154,014	1	144,643	1
2670	Other non-current liabilities, others	6(9)	6,151	-	24,140	-
25XX	Total non-current liabilities		<u>560,364</u>	<u>6</u>	<u>656,286</u>	<u>6</u>
2XXX	Total Liabilities		<u>7,276,391</u>	<u>59</u>	<u>6,430,263</u>	<u>58</u>
Equity						
Share capital						
3110	Ordinary shares	6(18)	1,770,164	14	1,650,698	15
Capital surplus						
3200	Capital surplus	6(17)(19)	843,057	7	648,446	6
Retained earnings						
3310	Legal reserve	6(20)	626,773	5	575,258	5
3320	Special reserve		92,239	1	92,239	1
3350	Unappropriated retained earnings		1,893,389	15	1,667,955	15
Other equity interest						
3400	Other equity interest		(80,645)	(1)	(26,985)	-
3XXX	Total Equity		<u>5,144,977</u>	<u>41</u>	<u>4,607,611</u>	<u>42</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total Liabilities and Equity		<u>\$ 12,421,368</u>	<u>100</u>	<u>\$ 11,037,874</u>	<u>100</u>

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

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Year ended December 31

Items	Notes	2017		2016		
		AMOUNT	%	AMOUNT	%	
4000	Operating Revenue	6(21) and 7	\$ 15,319,550	100	\$ 13,308,343	100
5000	Operating Costs	6(6)(24) and 7	(13,470,021)	(88)	(11,559,334)	(87)
5900	Gross Profit		<u>1,849,529</u>	<u>12</u>	<u>1,749,009</u>	<u>13</u>
	Operating Expenses	6(24) and 7				
6100	Sales and marketing expenses		(285,763)	(2)	(271,458)	(2)
6200	General and administrative expenses		(510,266)	(3)	(499,353)	(4)
6300	Research and development expenses		(177,920)	-	(208,022)	(1)
6000	Total operating expenses		<u>(973,949)</u>	<u>(5)</u>	<u>(978,833)</u>	<u>(7)</u>
6900	Operating Profit		<u>875,580</u>	<u>7</u>	<u>770,176</u>	<u>6</u>
	Non-operating Income and Expenses					
7010	Other income	6(22) and 7	89,877	1	101,828	1
7020	Other gains and losses	6(2)(8)(23)	(26,303)	-	(4,946)	-
7050	Finance costs		(11,615)	-	(12,322)	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		(111,151)	(2)	(183,210)	(2)
7000	Total non-operating income and expenses		<u>(59,192)</u>	<u>(1)</u>	<u>(98,650)</u>	<u>(1)</u>
7900	Profit before Income Tax		816,388	6	671,526	5
7950	Income tax expense	6(25)	(163,437)	(1)	(156,375)	(1)
8200	Net Income		<u>\$ 652,951</u>	<u>5</u>	<u>\$ 515,151</u>	<u>4</u>
	Other Comprehensive Income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(16)	(\$ 11,229)	-	(\$ 15,975)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	1,909	-	2,716	-
8310	Total components of other comprehensive loss that will not be reclassified to profit or loss		<u>(9,320)</u>	<u>-</u>	<u>(13,259)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations		(56,800)	-	(99,042)	(1)
8362	Unrealized gains on valuation of available-for-sale financial assets	6(3)	(6,395)	-	29,408	-
8380	Total Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss		(146)	-	(104)	-
8399	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(25)	9,681	-	16,855	-
8360	Total components of other comprehensive loss that will be reclassified to profit or loss		<u>(53,660)</u>	<u>-</u>	<u>(52,883)</u>	<u>(1)</u>
8300	Other comprehensive loss, net of tax		<u>(\$ 62,980)</u>	<u>-</u>	<u>(\$ 66,142)</u>	<u>(1)</u>
8500	Total Comprehensive Income		<u>\$ 589,971</u>	<u>5</u>	<u>\$ 449,009</u>	<u>3</u>
9750	Basic earnings per share	6(26)	\$ 3.77		\$ 3.12	
9850	Diluted earnings per share	6(26)	\$ 3.51		\$ 2.95	

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

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves			Retained Earnings			Other equity interest		Total equity
		Share capital - ordinary shares	Capital surplus - share premium	Capital surplus - others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statement translation differences of foreign operations	Unrealized gain or loss on available- for-sale financial assets	
Year ended December 31, 2016										
Balance at January 1, 2016		\$ 1,650,698	\$ 616,003	\$ 2,770	\$ 529,385	\$ 92,239	\$ 1,542,603	\$ 25,898	\$ -	\$ 4,459,596
Appropriation and distribution of 2015 earnings: (Note)	6(20)									
Legal reserve		-	-	-	45,873	-	(45,873)	-	-	-
Cash dividends		-	-	-	-	-	(330,140)	-	-	(330,140)
Share-based payment	6(17)(19)	-	-	8,537	-	-	-	-	-	8,537
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method		-	-	-	-	-	(527)	-	-	(527)
Due to recognition of equity component of convertible bonds issued	6(14)(19)	-	-	21,136	-	-	-	-	-	21,136
Profit for 2016		-	-	-	-	-	515,151	-	-	515,151
Other comprehensive income (loss) for 2016		-	-	-	-	-	(13,259)	(82,291)	29,408	(66,142)
Balance at December 31, 2016		<u>\$ 1,650,698</u>	<u>\$ 616,003</u>	<u>\$ 32,443</u>	<u>\$ 575,258</u>	<u>\$ 92,239</u>	<u>\$ 1,667,955</u>	<u>(\$ 56,393)</u>	<u>\$ 29,408</u>	<u>\$ 4,607,611</u>
Year ended December 31, 2017										
Balance at January 1, 2017		\$ 1,650,698	\$ 616,003	\$ 32,443	\$ 575,258	\$ 92,239	\$ 1,667,955	(\$ 56,393)	\$ 29,408	\$ 4,607,611
Appropriations of and distribution of earnings for 2016	6(20)									
Legal reserve		-	-	-	51,515	-	(51,515)	-	-	-
Cash dividends		-	-	-	-	-	(363,153)	-	-	(363,153)
Changes in equity of associates and joint ventures accounted for using equity method		-	-	-	-	-	(3,529)	-	-	(3,529)
Share-based payment	6(17)(18)(19)	14,225	18,151	133	-	-	-	-	-	32,509
Conversion of convertible bonds	6(14)(18)(19)(28)	105,241	188,751	(12,424)	-	-	-	-	-	281,568
Profit (loss) for 2017		-	-	-	-	-	652,951	-	-	652,951
Other comprehensive loss for 2017		-	-	-	-	-	(9,320)	(47,265)	(6,395)	(62,980)
Balance at December 31, 2017		<u>\$ 1,770,164</u>	<u>\$ 822,905</u>	<u>\$ 20,152</u>	<u>\$ 626,773</u>	<u>\$ 92,239</u>	<u>\$ 1,893,389</u>	<u>(\$ 103,658)</u>	<u>\$ 23,013</u>	<u>\$ 5,144,977</u>

Note: The stockholders have resolved to distribute directors' and supervisors' remuneration of \$7,545 and employees' bonus of \$75,452 for 2016 and distribute directors' and supervisors' remuneration of \$6,197 and employees' bonus of \$40,000 for 2015. All amounts have been deducted from the statements of comprehensive income.

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

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 816,388	\$ 671,526
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(23)	(9,846)	(1,328)
Provision for bad debt expense	12	8,494	28,000
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		111,151	183,210
Gain on disposal of investments	6(23)	(35,556)	(7,894)
Depreciation	6(10)(24)	80,845	73,458
Amortisation	6(24)	19,222	13,648
(Gain) loss on disposal of property, plant and equipment	6(10)	(1,666)	102
Impairment loss on financial assets	6(8)(23)	15,243	-
Compensation cost of share-based payments	6(17)(19)(24)	7,901	8,537
Interest income	6(22)	(3,569)	(1,749)
Interest expense		11,615	12,322
Dividend income	6(22)	(16,935)	(14,624)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		64,426	(73,216)
Accounts receivable, net		(28,822)	(720,818)
Accounts receivable - related parties, net		3,996	11,376
Construction contracts receivable		(462,847)	(321,961)
Other receivables		1,703	(64,809)
Inventories, net		(346,216)	(383,396)
Prepayments		(170,088)	(150,143)
Other current assets		1,196	18,689
Changes in operating liabilities			
Notes payable		49,998	51,361
Accounts payable		243,334	654,498
Accounts payable - related parties		(4,362)	4,165
Construction contracts payable		141,863	36,611
Other payables		69,101	36,668
Advance receipts		337,407	206,145
Other current liabilities, others		2,074	(12,306)
Other non-current liabilities		(1,859)	(1,922)
Cash inflow generated from operations		904,191	256,150
Interest received		2,753	1,092
Dividends received		16,935	14,624
Interest paid		(6,704)	(9,128)
Income tax paid		(167,481)	(145,259)
Net cash flows from operating activities		<u>749,694</u>	<u>117,479</u>

(Continued)

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of available-for-sale financial assets - current		\$ 32,233	\$ 1,889
Acquisition of financial assets measured at cost – non-current		(66,915)	(20,131)
Proceeds from disposal of financial assets measured at cost – non-current		67,942	13,449
Proceeds from capital reduction of financial assets measured at cost – non-current		274	9,185
Acquisition of investments accounted for using equity method – subsidiaries		(424,745)	(93,243)
Acquisition of investments accounted for using equity method – non-subsidiaries		(9,611)	(1,408)
Proceeds from disposal of investments accounted for using equity method – non-subsidiaries		-	307
Proceeds from capital reduction of investments accounted for using equity method method		-	41,182
Acquisition of property, plant and equipment	6(10)	(422,981)	(70,282)
Proceeds from disposal of property, plant and equipment	6(10)	10,987	2,577
Acquisition of intangible assets		(18,977)	(16,898)
(Increase) decrease in refundable deposits		(9,982)	1,663
Net cash flows used in investing activities		<u>(841,775)</u>	<u>(131,710)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		100,000	60,000
Increase in long-term borrowings	6(15)	200,000	-
Increase in guarantee deposits received		-	70
Proceeds from exercise of employee stock options	6(17)	24,609	-
Proceeds from issuance of bonds		-	495,000
Cash dividends paid	6(20)	(363,153)	(330,140)
Net cash flows (used in) from financing activities		<u>(38,544)</u>	<u>224,930</u>
Net (decrease) increase in cash and cash equivalents		(130,625)	210,699
Cash and cash equivalents at beginning of year	6(1)	<u>881,517</u>	<u>670,818</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 750,892</u>	<u>\$ 881,517</u>

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

MARKETECH INTERNATIONAL CORP.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. ORGANIZATION AND OPERATIONS

Marketch International Corp. (the “Company”) was incorporated in the Republic of China (ROC) on December 27, 1988. On October 17, 2002, the Company’s common shares were officially listed on the Taiwan Over-The-Counter Securities Exchange and on May 24, 2004, the shares were transferred to be listed on the Taiwan Stock Exchange. The Company is mainly engaged in (i) import and trade of various integrated circuits, semiconductors, electrical and computer equipment and materials, chemicals, gas, components; (ii) factory affair and mechatronic system including clean room, automatic supply system of (specialty) gas and chemicals, monitor system, Turn-key and Hook-up Project and (iii) design and manufacturing of customized equipment.

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

The parent company only financial statements were approved and authorized for issuance by the Board of Directors on February 24, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (Note)
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Note : The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11 'Construction contracts', IAS 18 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

When adopting the new standards endorsed by the FSC effective from 2018, the Company will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. Further, the Company expects to adopt IFRS 15 using the modified retrospective approach. The significant effects of applying the new standards as of January 1, 2018 are summarized below:

A. In accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets, financial assets at cost and investments accounted for using equity method in the amounts of \$41,502, \$277,607 and \$1,736 respectively, by increasing financial assets at fair value through profit or loss and increasing retained earnings and decreasing other equity interest in the amounts of \$346,649, \$48,817 and \$23,013, respectively.

B. In line with the regulations of IFRS 9 on provision for impairment, investments accounted for using equity method will have to be reduced by \$29,502 and retained earnings decreased by \$29,502.

C. Presentation of contract assets and contract liabilities

In line with IFRS 15 requirements, the Company expects to change the presentation of certain accounts in the balance sheets as follows:

(a) Under IFRS 15, construction contracts whereby services have been rendered but not yet billed are recognised as contract assets but were previously presented as construction contracts receivable in the balance sheet. The balances would amount to \$2,398,711 on January 1, 2018.

(b) Under IFRS 15, liabilities in relation to construction contracts are recognised as contract liabilities, but were previously presented as construction contracts payable in the balance sheet. The balances would amount to \$1,278,326 on January 1, 2018, reclassified to contract liabilities-current.

(c) Under IFRS 15, liabilities in relation to sales contracts are recognised as contract liabilities, but were previously presented as advance receipts in the balance sheet. The balances would amount to \$709,754 on January 1, 2018, and be reclassified to contract liabilities-current.

(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 IFRSs endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Statement of compliance

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Liabilities on cash-settled share-based payment arrangements measured at fair value.
- (d) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate 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 in which the Company operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars (NTD), which is the Company’s functional and presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are 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 other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

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

(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.

C. Assets and liabilities relating to the construction contracts are classified as current and non-current based on the operating cycle.

(5) Cash and cash equivalents

A. Cash and cash equivalents include petty cash, bank deposits and other short-term and highly liquid investments in the separate statements of cash flows.

B. 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) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

B. On a regular way purchase or sale basis, financial assets held for trading, except for beneficiary certificates, are recognised and derecognised using settlement date accounting. Others are recognised and derecognised using trade date accounting. Financial assets initially designed at fair value through profit or loss are recognised and derecognised using settlement date accounting.

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

(7) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

(8) Notes and 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.

(9) 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:

(a) 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.

(b) Financial assets measured at 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 current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset directly.

(c) Available-for-sale financial assets

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

(10) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Inventories

The perpetual inventory system is adopted for inventory recognition. Cost is the basis for recognition and is determined using the weighted-average method. Costs include acquisition, manufacturing or processing costs to make inventories available for sale or use. These exclude borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value for the measure of the ending inventories. 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.

(12) Construction contracts

A. IAS 11, 'Construction Contracts', defines a construction contract as a contract specifically negotiated for the construction of an asset. If the outcome of a construction contract can be estimated reliably and it is probable that this contract would make a profit, contract revenue should be recognised by reference to the stage of completion of the contract activity, using the percentage-of-completion method of accounting, over the contract term. Contract costs are

expensed as incurred. The stage of completion of a contract is measured by the proportion of contract costs incurred for work performed to date to the estimated total costs for the contract. An expected loss where total contract costs will exceed total contract revenue on a construction contract should be recognised as an expense as soon as such loss is probable. If the outcome of a construction contract cannot be estimated reliably, contract revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable.

- B. Contract revenue should include the revenue arising from variations from the original contract work, claims and incentive payments that are agreed by the customer and can be measured reliably.
- C. The excess of the cumulative costs incurred plus recognised profits (less recognised losses) over the progress billings on each construction contract is presented as an asset within 'Construction contracts receivable'. While, the excess of the progress billings over the cumulative costs incurred plus recognised profits (less recognised losses) on each construction contract is presented as a liability within 'Construction contracts payable'.

(13) Investments accounted for using equity method / subsidiaries, associates and joint ventures

A. Investments in subsidiaries

- (a) Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- (b) Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- (c) The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- (d) If changes in shareholdings in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.
- (e) When the Company loses its control in a subsidiary, the Company revalues the remaining investment in the prior subsidiary at fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Investments in 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. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- (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) Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- (g) 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.
- (h) 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.

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

(14) 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	2~55 years
Machinery and office equipment	3~15 years
Other equipment	2~10 years

(15) Leases (leasee)

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.

(16) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

B. Trademarks

Trademarks are acquired in a business combination.

C. Other intangible assets

Other intangible assets are technology royalties which are stated at cost and amortised on a straight-line basis over the contract duration.

(17) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is 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. Except for goodwill, 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.
- B. Goodwill is evaluated annually and is recorded as cost less impairment loss. Impairment loss of goodwill shall not be reversed.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) 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.

(19) Notes and accounts payable

Notes and accounts 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.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Financial liabilities and equity instruments

Convertible corporate bonds preference shares issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—share options') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

- A. Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They

are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as ‘gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss’.

- B. Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the ‘finance costs’ over the period of bond circulation using the effective interest method.
- C. Conversion options embedded in convertible corporate bonds issued by the Company, which meet the definition of an equity instrument, are initially recognised in ‘capital surplus—share options’ at the residual amount of total issue price less amounts of ‘financial assets or financial liabilities at fair value through profit or loss’ and ‘bonds payable—net’ as stated above. Conversion options are not subsequently remeasured.
- D. Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- E. When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable’ and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - share options.

(22) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is initially recognised at its fair value adjusted for transaction costs on the trade date. After initial recognition, the financial guarantee is measured at the higher of the initial fair value less cumulative amortisation and the best estimate of the amount required to settle the present obligation on each balance sheet date.

(23) 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

(a) Defined contribution plans

For defined contribution plans, 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.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet

in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

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. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Employee share-based payment

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.

(25) 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 and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred 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 separate 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 subsidiaries and 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 research and development expenditures to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(26) 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.

(27) 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.

(28) Revenue recognition

A. Construction revenue

Details of construction revenue are provided in Note 4(12).

B. Sales of goods

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods (products) 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 (products) 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 (products) 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.

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

The preparation of these parent company only financial statements require 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

None.

(2) Critical accounting estimates and assumptions

A. Construction contracts

The Company recognises contract revenue and profit based on management's evaluation of contract profit and percentage of completion. Management assesses and adjusts the contract profit and cost during execution of the contract. The actual result of the total profit and cost may be higher or lower than the estimation, and the effect is recognised in revenue and profit.

B. 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.

C. Assessing the doubtful accounts

During the process of assessing the doubtful accounts, the Company uses judgement in evaluating the collectability of receivables. The collectability assessment is affected by various factors: customers' financial conditions, historical transaction records, current economic conditions, etc. If the collectability of those accounts is in doubt, the Company will recognize allowance for uncollectible account individually. Since the evaluation of allowance is based on the status as of balance sheet date for reasonable expectations of future events, the actual results may be different than the estimation. Therefore, it may have significant changes.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash on hand	\$ 5,546	\$ 4,934
Checking accounts and demand deposits	<u>745,346</u>	<u>876,583</u>
Total	<u>\$ 750,892</u>	<u>\$ 881,517</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. The

Company's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

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

(2) Financial assets at fair value through profit or loss – current

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Financial assets held for trading		
Listed stocks	\$ 7,439	\$ 7,592
Call provision of convertible corporate bonds (Note 6(14))	<u>250</u>	<u>250</u>
	7,689	7,842
Valuation adjustment	<u>9,454</u>	<u>(545)</u>
Total	<u>\$ 17,143</u>	<u>\$ 7,297</u>

A. The Company recognised net gain of \$9,686 and \$1,528 on financial assets held for trading for the years ended December 31, 2017 and 2016, respectively.

B. The Company recognised net gain (loss) of \$160 and (\$200) on the call provision of convertible corporate bonds issued by the Company for the years ended December 31, 2017 and 2016, respectively.

C. The Company has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets – current

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Listed stocks		
Calitech Co., Ltd.	\$ 18,489	\$ 34,445
Valuation adjustment	<u>23,013</u>	<u>29,408</u>
Total	<u>\$ 41,502</u>	<u>\$ 63,853</u>

A. Since Calitech Co., Ltd. was listed on the Taipei Exchange in September 2016, the Company deposited its stocks of Calitech Co., Ltd. amounting to 2,857 thousand shares for custody with the Taiwan Depository & Clearing Corporation, but was reclaimed on December 31, 2017.

B. The Company has recognised changes in fair value of the unrealized gains on available-for-sale financial assets in profit or loss and in other comprehensive income amounting to (\$6,395) and \$29,408 for the years ended December 31, 2017 and 2016, respectively.

C. The Company has no available-for-sale financial assets pledged to others.

(4) Notes receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Notes receivable	\$ 73,451	\$ 137,876
Less: Allowance for bad debts	<u>(8,494)</u>	<u>(1,225)</u>
Total	<u>\$ 64,957</u>	<u>\$ 136,651</u>

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

B. For details of credit risk of the Company's notes receivable, please refer to Note 12(2).

(5) Accounts receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	\$ 2,862,056	\$ 2,853,235
Less: Allowance for bad debts	(211,513)	(210,288)
Total	<u>\$ 2,650,543</u>	<u>\$ 2,642,947</u>

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

B. For details of credit risk of the Company's accounts receivable, please refer to Note 12(2).

(6) Inventories

	<u>December 31, 2017</u>		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	\$ 299,252	(\$ 12,357)	\$ 286,895
Merchandise inventory	287,611	(45,974)	241,637
Raw materials	510,163	(10,690)	499,473
Supplies	33,179	(1,408)	31,771
Work in process	1,124,836	(32,746)	1,092,090
Semi-finished goods and finished goods	146,758	(2,825)	143,933
Total	<u>\$ 2,401,799</u>	<u>(\$ 106,000)</u>	<u>\$ 2,295,799</u>

	<u>December 31, 2016</u>		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	\$ 325,179	(\$ 16,681)	\$ 308,498
Merchandise inventory	323,738	(30,298)	293,440
Raw materials	463,017	(9,766)	453,251
Supplies	26,722	(1,084)	25,638
Work in process	764,992	(3,106)	761,886
Semi-finished goods and finished goods	112,935	(6,065)	106,870
Total	<u>\$ 2,016,583</u>	<u>(\$ 67,000)</u>	<u>\$ 1,949,583</u>

A. Relevant expenses of inventories recognised as operating costs for the years ended December 31, 2017 and 2016 are as follows:

	Years ended December 31,	
	2017	2016
Construction cost	\$ 6,912,111	\$ 5,790,851
Cost of sales	5,779,679	5,045,900
Other operating cost	739,231	716,583
Loss on (gain on reversal of) market value decline and obsolete and slow-moving inventories	39,000	6,000
Total	<u>\$ 13,470,021</u>	<u>\$ 11,559,334</u>

B. The Company has no inventories pledged to others.

(7) Construction contracts receivable / payable

	December 31, 2017	December 31, 2016
Aggregate costs incurred plus recognised profits (less recognised losses)	\$ 19,519,144	\$ 17,639,143
Less: Progress billings	(18,398,759)	(16,839,742)
Net balance sheet position for construction in progress	<u>\$ 1,120,385</u>	<u>\$ 799,401</u>
Presented as:		
Construction contracts receivable	\$ 2,398,711	\$ 1,935,864
Construction contracts payable	(1,278,326)	(1,136,463)
	<u>\$ 1,120,385</u>	<u>\$ 799,401</u>
Retentions relating to construction contracts	<u>\$ 46,151</u>	<u>\$ 63,444</u>
Advances received before the related construction work is performed	<u>\$ -</u>	<u>\$ -</u>

(8) Financial assets at cost - non-current

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Non-current items:		
Taiwan Intelligent Fiber Optic Network Co., Ltd.	\$ 44,024	\$ 44,024
Taiwan Puritic Corp.	39,287	39,287
Taiwan Special Chemicals Corp.	29,013	9,013
Taiwan Colour & Imaging Technology Corp.	25,330	-
Kinestral Technologies, Inc	21,165	-
ProbeLeader Co., Ltd.	14,490	14,490
Civil Tech Pte. Ltd.	13,650	16,438
Foresight Energy Technologies Co., Ltd.	10,875	-
IP Fund Six Co., Ltd.	10,000	10,000
Innorich Venture Capital Corp.	10,000	10,000
Ares Green Technology Corp.	-	43,481
VEEV Interactive Pte. Ltd.	-	15,243
H&D Venture Capital Investment Corp.	-	8,320
Others (companies individually not exceeding \$10,000)	<u>59,773</u>	<u>44,577</u>
Total	<u>\$ 277,607</u>	<u>\$ 254,873</u>

- A. According to the Company's investment purpose, the abovementioned stocks held by the Company shall be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in an active market, and no sufficient industry information of companies similar to the abovementioned companies can be obtained, the fair value of the stocks cannot be measured reliably. Accordingly, the Company classified those stocks as 'financial assets at cost – non-current'.
- B. The ending balances of VEEV Interactive Pte. Ltd. for the year ended December 31, 2017 was assessed to decline and would be lower than the original investment cost. Therefore, impairment loss of \$15,243 was recognised on equity investment.
- C. The Company has no financial assets measured at cost pledged to others.

(9) Investments accounted for using equity method

	December 31,			
	2017		2016	
	Carrying amount	% interest held	Carrying amount	% interest held
Subsidiaries:				
Market Go Profits Ltd.	\$ 1,038,755	100%	\$ 1,104,837	100%
Marketech Integrated Manufacturing Company Limited	396,325	100%	98,860	100%
Headquarter International Ltd.	37,958	100%	42,383	100%
Tiger United Finance Ltd.	37,107	100%	40,897	100%
PT Marketech International Indonesia	35,649	99.92%	38,718	99.92%
MIC-Tech Viet Nam Co., Ltd.	30,802	100%	35,389	100%
Marketech International Sdn. Bhd.	29,533	51.12%	26,198	51.12%
eZoom Information, Inc.	31,690	100%	23,525	100%
MIC-Tech Global Corp.	7,706	100%	10,910	100%
Marketech Co., Ltd.	4,002	100%	9,778	100%
Marketech Engineering Pte. Ltd.	2,448	100%	4,897	100%
Marketech Integrated Pte. Ltd.	(6,081)	100%	(24,071)	100%
Marketech Netherlands B.V.	10,453	100%	-	-
ADAT Technology Ltd.	6,029	83.33%	-	-
Add: Credit of long-term equity investment transfer to 'other non-current liabilities, others'	6,081	-	24,071	-
Associates:				
Glory Technology Service Inc.	46,153	34.11%	33,463	35%
MIC Techno Co., Ltd.	1,849	20%	1,864	20%
	<u>\$ 1,716,459</u>		<u>\$ 1,471,719</u>	

A. Subsidiaries

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2017 consolidated financial statements.

B. Associates

Associates using equity method are all individually immaterial and the Company's share of the operating results are summarized below:

	Years ended December 31,	
	2017	2016
Profit for the period from continuing operations	\$ 9,076	\$ 10,869
Other comprehensive income - net of tax	-	-
Total comprehensive income	<u>\$ 9,076</u>	<u>\$ 10,869</u>

(10) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
<u>At January 1, 2017</u>						
Cost	\$ 205,438	\$ 1,413,168	\$ 380,126	\$ 124,582	\$ 18,040	\$ 2,141,354
Accumulated depreciation	-	(616,109)	(311,879)	(85,715)	(7,107)	(1,020,810)
Book value	<u>\$ 205,438</u>	<u>\$ 797,059</u>	<u>\$ 68,247</u>	<u>\$ 38,867</u>	<u>\$ 10,933</u>	<u>\$ 1,120,544</u>
<u>Year ended December 31, 2017</u>						
Opening net book amount	\$ 205,438	\$ 797,059	\$ 68,247	\$ 38,867	\$ 10,933	\$ 1,120,544
Additions	-	191,372	46,189	23,127	162,293	422,981
Disposals	-	-	-	(14)	(9,307)	(9,321)
Depreciation	-	(41,686)	(20,984)	(16,930)	(1,245)	(80,845)
Closing net book amount	<u>\$ 205,438</u>	<u>\$ 946,745</u>	<u>\$ 93,452</u>	<u>\$ 45,050</u>	<u>\$ 162,674</u>	<u>\$ 1,453,359</u>
<u>At December 31, 2017</u>						
Cost	\$ 205,438	\$ 1,604,540	\$ 394,872	\$ 135,461	\$ 170,790	\$ 2,511,101
Accumulated depreciation	-	(657,795)	(301,420)	(90,411)	(8,116)	(1,057,742)
Book value	<u>\$ 205,438</u>	<u>\$ 946,745</u>	<u>\$ 93,452</u>	<u>\$ 45,050</u>	<u>\$ 162,674</u>	<u>\$ 1,453,359</u>

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
<u>At January 1, 2016</u>						
Cost	\$ 205,438	\$ 1,403,928	\$ 363,601	\$ 106,498	\$ 7,730	\$ 2,087,195
Accumulated depreciation	-	(573,506)	(298,165)	(81,858)	(7,267)	(960,796)
Book value	<u>\$ 205,438</u>	<u>\$ 830,422</u>	<u>\$ 65,436</u>	<u>\$ 24,640</u>	<u>\$ 463</u>	<u>\$ 1,126,399</u>
<u>Year ended December 31, 2016</u>						
Opening net book amount	\$ 205,438	\$ 830,422	\$ 65,436	\$ 24,640	\$ 463	\$ 1,126,399
Additions	-	8,095	21,371	26,272	12,619	68,357
Transfers (Note)	-	1,576	-	-	349	1,925
Disposals	-	(72)	(378)	(18)	(2,211)	(2,679)
Depreciation	-	(42,962)	(18,182)	(12,027)	(287)	(73,458)
Closing net book amount	<u>\$ 205,438</u>	<u>\$ 797,059</u>	<u>\$ 68,247</u>	<u>\$ 38,867</u>	<u>\$ 10,933</u>	<u>\$ 1,120,544</u>
<u>At December 31, 2016</u>						
Cost	\$ 205,438	\$ 1,413,168	\$ 380,126	\$ 124,582	\$ 18,040	\$ 2,141,354
Accumulated depreciation	-	(616,109)	(311,879)	(85,715)	(7,107)	(1,020,810)
Book value	<u>\$ 205,438</u>	<u>\$ 797,059</u>	<u>\$ 68,247</u>	<u>\$ 38,867</u>	<u>\$ 10,933</u>	<u>\$ 1,120,544</u>

Note: Transfers are transferred from prepayment for equipment (recorded as 'other non-current assets').

A. The Company has no interest capitalised to property, plant and equipment.

B. The Company has no property, plant and equipment pledged to others.

(11) Short-term borrowings

	<u>December 31, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit borrowings	<u>\$ 650,000</u>	0.88%~0.886%	None
	<u>December 31, 2016</u>	<u>Interest rate range</u>	<u>Collateral</u>
<u>Bank borrowings</u>			
Credit borrowings	<u>\$ 550,000</u>	0.95%~0.987%	None

(12) Other payables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Salaries and bonus payable	\$ 256,228	\$ 230,885
Accrued employees' compensation and directors' and supervisors' remuneration	123,169	82,997
Others	28,487	24,604
Total	<u>\$ 407,884</u>	<u>\$ 338,486</u>

(13) Advance receipts

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Sales revenue received in advance	\$ 680,143	\$ 392,519
Others	80,672	30,889
Total	<u>\$ 760,815</u>	<u>\$ 423,408</u>

(14) Bonds payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Bonds payable	\$ 206,100	\$ 500,000
Loss: Discount on bonds payable	(5,901)	(22,847)
Total	<u>\$ 200,199</u>	<u>\$ 477,153</u>

A. The Company issued the 3rd domestic unsecured convertible bonds, as approved by the regulatory authority on August 1, 2016. The terms and conditions are as follows:

- (a) Total issuance amount: NT \$500,000
- (b) Issuance period: 3 years, and a circulation period from August 22, 2016 to August 22, 2019.
- (c) Coupon rate: 0%
- (d) Conversion period: The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after one month of the bonds before the maturity date, except the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.
- (e) The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the reset conversion price is higher than the conversion price before the reset, the conversion price will not be adjusted.
- (f) Redemption Method:
 - i. Redemption on the maturity date: Redeemed in cash at face value at the maturity date.
 - ii. Redemption before the maturity date: The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after one month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after one month of the bonds issue to 40 days before the maturity date.
 - iii. Under the terms of the bonds, all bonds redeemed, matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.
- (g) As of December 31, 2017, no convertible bonds were converted.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$21,136 were separated from the liability component and were recognised in ‘capital surplus—stock warrants’ in accordance with IAS 32. The call options embedded in bonds payable were separated from their host contracts and were recognised in ‘financial assets or liabilities at fair value through profit or loss’ in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation is 1.788%.

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2017</u>
Long-term bank borrowings	Borrowing period is from December 29, 2017 to March 29, 2019 ;	0.92%	None	
Credit borrowings	interest is repayable monthly ; payable at maturity date			<u>\$ 200,000</u>

A. As of December 31, 2016, there was no change in the balance of undrawn borrowing facilities.

B. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Floating rate:		
Expiring beyond one year	<u>\$ 400,000</u>	<u>\$ 600,000</u>

(16) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

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

	December 31,	
	2017	2016
Present value of defined benefit obligations	\$ 272,010	\$ 257,124
Fair value of plan assets	(117,996)	(112,481)
Net defined benefit liability	<u>\$ 154,014</u>	<u>\$ 144,643</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	(\$ 257,124)	\$ 112,481	(\$ 144,643)
Current service cost	(1,249)	-	(1,249)
Interest (expense) income	(3,812)	1,688	(2,124)
	<u>(262,185)</u>	<u>114,169</u>	<u>(148,016)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(830)	(830)
Change in demographic assumptions	(1,593)	-	(1,593)
Change in financial assumptions	(8,564)	-	(8,564)
Experience adjustments	(242)	-	(242)
	<u>(10,399)</u>	<u>(830)</u>	<u>(11,229)</u>
Pension fund contribution	-	5,231	5,231
Paid Pension	574	(574)	-
Balance at December 31	<u>(\$ 272,010)</u>	<u>\$ 117,996</u>	<u>(\$ 154,014)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	(\$ 242,770)	\$ 112,180	(\$ 130,590)
Current service cost	(1,288)	-	(1,288)
Interest (expense) income	(3,587)	1,672	(1,915)
Settlement profit (loss)	2,243	(2,380)	(137)
	<u>(245,402)</u>	<u>111,472</u>	<u>(133,930)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(616)	(616)
Change in demographic assumptions	(1,631)	-	(1,631)
Experience adjustments	(13,728)	-	(13,728)
	<u>(15,359)</u>	<u>(616)</u>	<u>(15,975)</u>
Pension fund contribution	-	5,262	5,262
Paid Pension	3,637	(3,637)	-
Balance at December 31	<u>(\$ 257,124)</u>	<u>\$ 112,481</u>	<u>(\$ 144,643)</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2017	2016
Discount rate	1.25%	1.50%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2017				
Effect on present value of defined benefit obligation	(\$ 8,626)	\$ 9,011	\$ 8,921	(\$ 8,584)
December 31, 2016				
Effect on present value of defined benefit obligation	(\$ 8,570)	\$ 8,969	\$ 8,901	(\$ 8,549)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2018 amounts to \$6,040.

(g) As of December 31, 2017, the weighted average duration of the defined benefit retirement plan is 12 years.

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

(b) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2017 and 2016 were \$36,316 and \$34,895, respectively.

(17) Share-based payment

A. For the years ended December 31, 2017 and 2016, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousands)	Contract period	Vesting conditions
Employee stock options	2015.9.11	3,956	6 years	2~4 years’ service

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

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

	Years ended December 31,			
	2017		2016	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at beginning of the period	3,956	\$ 18.20	3,956	\$ 19.60
Options granted	-	-	-	-
Options exercised	(1,423)	17.30	-	-
Options forfeited	(77)	-	-	-
Options outstanding at end of the period	<u>2,456</u>	17.30	<u>3,956</u>	18.20
Options exercisable at end of the period	<u>520</u>		<u>-</u>	
Options approved but not yet issued at end of the period	<u>44</u>		<u>44</u>	

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		December 31, 2017	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	2,456	\$ 17.30

		December 31, 2016	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	3,956	\$ 18.20

D. 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 (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Employee stock options	2015.9.11	\$ 19.60	\$ 19.60	34.91%	4.375 years	0%	0.81%	\$ 5.8326

E. Expenses incurred on share-based payment transactions are \$ 7,901 and \$ 8,537 for the years ended December 31, 2017 and 2016, respectively.

(18) Share capital

As of December 31, 2017, the Company's authorized capital was \$2,500,000, consisting of 250 million shares of ordinary stock (including 9,800 thousand shares reserved for employee stock options), and the paid-in capital was \$1,770,164 with a par value of \$10 (in dollars) per share amounting to 177,016,429 shares. All proceeds from shares issued have been collected.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
At January 1	165,069,756	165,069,756
Conversion of convertible bonds	10,524,173	-
Exercise of employee stock options	<u>1,422,500</u>	<u>-</u>
At December 31	<u>177,016,429</u>	<u>165,069,756</u>

(19) 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.

Details of movements in capital surplus are as follows:

	<u>Year ended December 31, 2017</u>				
	Employee				
	<u>Share premium</u>	<u>Stock options</u>	<u>Stock options</u>	<u>Others</u>	<u>Total</u>
At January 1	\$ 616,003	\$ 10,956	\$ 21,136	\$ 351	\$ 648,446
Exercise of employee stock options	18,151	(7,768)	-	-	10,383
Compensation cost of employee stock options	-	7,901	-	-	7,901
Conversion of convertible bonds	<u>188,751</u>	<u>-</u>	<u>(12,424)</u>	<u>-</u>	<u>176,327</u>
At December 31	<u>\$ 822,905</u>	<u>\$ 11,089</u>	<u>\$ 8,712</u>	<u>\$ 351</u>	<u>\$ 843,057</u>

	Year ended December 31, 2016				
	Employee				
	<u>Share premium</u>	<u>Stock options</u>	<u>Stock options</u>	<u>Others</u>	<u>Total</u>
At January 1	\$ 616,003	\$ 2,419	\$ 2,419	\$ 351	\$ 621,192
Compensation cost of employee stock options	-	8,537	8,537	-	17,074
Due to recognition of equity component of convertible bonds issued	-	-	21,136	-	21,136
At December 31	<u>\$ 616,003</u>	<u>\$ 10,956</u>	<u>\$ 32,092</u>	<u>\$ 351</u>	<u>\$ 659,402</u>

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve. The remaining amount along with the prior years' unappropriated earnings are resolved by the Board of Directors and proposed to the stockholders for appropriation or reserve.
- B. The Company's dividend policy is summarized below: in consideration of the overall environment development and industrial growth, fulfilling future operation development needs as priority and optimizing financial structure, distribution of dividends shall not exceed 50% of the stock dividend distributed.
- C. 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.
- D.(a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
 - (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Financial-Supervisory-Securities-Firms No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E.(a) Details of 2016 and 2015 earnings appropriation resolved by the stockholders on May 26, 2017 and May 31, 2016, respectively are as follows:

	2016		2015	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 51,515	\$ -	\$ 45,873	\$ -
Cash dividends	363,153	2.2	330,140	2.0
Total	<u>\$ 414,668</u>		<u>\$ 376,013</u>	

The abovementioned distribution of earnings for the years of 2016 and 2015 were in agreement with those amounts proposed by the Board of Directors on February 20, 2017 and February 22, 2016, respectively.

Information about the earnings distribution of 2016 and 2015 as resolved by the Board of Directors and shareholders will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(b) Details of 2017 earnings appropriation proposed by the Board of Directors on February 24, 2018 are as follows:

	2017	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 65,295	\$ -
Cash dividends	442,541	2.5
Total	<u>\$ 507,836</u>	

Information about the earnings appropriation for 2017 by the Company as approved by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

The earnings appropriation of 2017 has not been resolved by the shareholders, thus, no dividend was accrued in these separate financial statements.

F. For the information relating to employees’ compensation and directors’ and supervisors’ remuneration, please refer to Note 6(24).

(21) Operating revenue

	Years ended December 31,	
	2017	2016
Construction revenue	\$ 7,466,980	\$ 6,176,750
Sales revenue	6,722,769	5,976,700
Other operating revenue	1,129,801	1,154,893
Total	<u>\$ 15,319,550</u>	<u>\$ 13,308,343</u>

(22) Other income

	Years ended December 31,	
	2017	2016
Service fee-endorsements and guarantees(Please refer to Note 7(2) I(b))	\$ 32,478	\$ 29,046
Government grants revenue	17,774	34,181
Dividend income	16,935	14,624
Rental revenue	6,345	6,395
Interest income	3,569	1,749
Other income	12,776	15,833
Total	<u>\$ 89,877</u>	<u>\$ 101,828</u>

(23) Other gains and losses

	Years ended December 31,	
	2017	2016
Net gain on financial assets at fair value through profit or loss	\$ 9,846	\$ 1,328
Gain on disposal of investments	35,556	7,894
Impairment loss on financial assets	(15,243)	-
Exchange loss	(58,136)	(14,066)
Other gains (losses)	1,674	(102)
Total	<u>(\$ 26,303)</u>	<u>(\$ 4,946)</u>

(24) Employee benefit expense, depreciation and amortisation

A. Employee benefit expense, depreciation and amortisation

	Year ended December 31, 2017		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	\$ 309,653	\$ 586,525	\$ 896,178
Compensation cost of employee stock options	-	7,901	7,901
Labour and health insurance fees	27,540	34,951	62,491
Pension costs	16,641	23,048	39,689
Other employee benefit expense	14,093	14,381	28,474
Depreciation	52,152	28,693	80,845
Amortisation	10,963	8,259	19,222

	Year ended December 31, 2016		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Wages and salaries	\$ 301,786	\$ 550,869	\$ 852,655
Compensation cost of employee stock options	-	8,537	8,537
Labour and health insurance fees	26,423	32,532	58,955
Pension costs	16,134	22,101	38,235
Other employee benefit expense	13,365	12,918	26,283
Depreciation	43,952	29,506	73,458
Amortisation	7,017	6,631	13,648

Note: As of December 31, 2017 and 2016, the Company had 749 and 740 employees, respectively.

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

- (a) According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall not be higher than 3% for directors' remuneration and shall be 1~15% for employees' compensation. If the company has accumulated deficit, earnings should be reserved to cover losses.
- (b) For the years ended December 31, 2017 and 2016, employees' compensation and directors' and supervisors' remuneration are accrued as follows:

	Years ended December 31,	
	<u>2017</u>	<u>2016</u>
Employees' compensation	\$ 89,000	\$ 75,452
Directors' and supervisors' remuneration	10,431	7,545
Total	<u>\$ 99,431</u>	<u>\$ 82,997</u>

For the year ended December 31, 2017, employees' compensation and directors' remuneration were estimated and accrued based on 9.72% and 1.14% of distributable profit of current year as of the end of reporting period. The employees' compensation and directors' and supervisors' remuneration of 2017 resolved by the Board of Directors were \$89,000 and \$10,431, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2016 as resolved by the meeting of Board of Directors were in agreement with those amounts recognised in the 2016 financial statements.

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

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2017	2016
Current tax		
Current tax on profits for the year	\$ 162,926	\$ 151,553
Additional 10% tax on unappropriated earnings	8,669	6,791
Adjustment in respect of prior years	(407)	4,640
Total current tax	171,188	162,984
Deferred tax		
Origination and reversal of temporary differences	(7,751)	(6,609)
Income tax expense	<u>\$ 163,437</u>	<u>\$ 156,375</u>

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

	Years ended December 31,	
	2017	2016
Currency translation differences of foreign operations	\$ 9,681	\$ 16,855
Remeasurement of defined benefit obligations	1,909	2,716
Total	<u>\$ 11,590</u>	<u>\$ 19,571</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2017	2016
Tax calculated based on profit before tax and statutory tax rate	\$ 138,786	\$ 114,159
Effect of items disallowed by tax regulation	16,389	30,785
Additional 10% tax on unappropriated earnings	8,669	6,791
Adjustment in respect of prior years	(407)	4,640
Income tax expense	<u>\$ 163,437</u>	<u>\$ 156,375</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	Year ended December 31, 2017			
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>December 31</u>
Temporary differences:				
—Deferred tax assets:				
Bad debt expense	\$ 32,355	\$ 44	\$ -	\$ 32,399
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	11,390	6,630	-	18,020
Defined benefit obligation	24,589	(316)	1,909	26,182
Impairment loss	4,506	2,591	-	7,097
Unused compensated absences payable	7,241	2,857	-	10,098
Unrealised loss on investments	32,079	(8,064)	-	24,015
Unrealised construction loss	1,763	(1,089)	-	674
Unrealised exchange loss	-	2,089	-	2,089
Exchange differences on translation	-	-	2,340	2,340
Subtotal	<u>113,923</u>	<u>4,742</u>	<u>4,249</u>	<u>122,914</u>
—Deferred tax liabilities:				
Unrealised exchange gain	(3,009)	3,009	-	-
Exchange differences on translation	(7,341)	-	7,341	-
Subtotal	<u>(10,350)</u>	<u>3,009</u>	<u>7,341</u>	<u>-</u>
Total	<u>\$ 103,573</u>	<u>\$ 7,751</u>	<u>\$ 11,590</u>	<u>\$ 122,914</u>

	Year ended December 31, 2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Bad debt expense	\$ 27,614	\$ 4,741	\$ -	\$ 32,355
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	10,370	1,020	-	11,390
Defined benefit obligation	22,200	(327)	2,716	24,589
Impairment loss	6,017	(1,511)	-	4,506
Unused compensated absences payable	6,089	1,152	-	7,241
Unrealised loss on investments	35,747	(3,668)	-	32,079
Unrealised construction loss	-	1,763	-	1,763
Subtotal	<u>108,037</u>	<u>3,170</u>	<u>2,716</u>	<u>113,923</u>
—Deferred tax liabilities:				
Unrealised exchange gain	(2,460)	(549)	-	(3,009)
Unrealised construction gain	(3,988)	3,988	-	-
Exchange differences on translation	(24,196)	-	16,855	(7,341)
Subtotal	<u>(30,644)</u>	<u>3,439</u>	<u>16,855</u>	<u>(10,350)</u>
Total	<u>\$ 77,393</u>	<u>\$ 6,609</u>	<u>\$ 19,571</u>	<u>\$ 103,573</u>

D. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

E. The Company's unappropriated retained earnings are generated in and after 1998.

F. The balance of the imputation tax credit account is as follows:

	December 31, 2017	December 31, 2016
Balance of the imputation tax credit account	<u>\$ 442,642</u>	<u>\$ 394,208</u>

The creditable tax rate is 29.05% for 2016.

(26) Earnings per share

	<u>Year ended December 31, 2017</u>		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	<u>Amount after tax</u>		
<u>Basic earnings per share</u>			
Profit	\$ 652,951	173,068	<u>\$ 3.77</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	3,830	10,230	
Employee stock option	-	1,152	
Employees' compensation	-	2,605	
Profit plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 656,781</u>	<u>187,055</u>	<u>\$ 3.51</u>

	<u>Year ended December 31, 2016</u>		
		Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
	<u>Amount after tax</u>		
<u>Basic earnings per share</u>			
Profit	\$ 515,151	165,070	<u>\$ 3.12</u>
<u>Diluted earnings per share</u>			
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	2,525	6,384	
Employee stock option	-	627	
Employees' compensation	-	3,275	
Profit plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 517,676</u>	<u>175,356</u>	<u>\$ 2.95</u>

(27) Operating leases

Details are provided in Note 9(1).

(28) Supplemental cash flow information

	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
Convertible bonds being converted to capital stocks	\$ 281,568	\$ -

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Marketech Integrated Pte Ltd.	Subsidiaries
MIC-Tech Global Corp.	"
eZoom Information, Inc.	"
MIC-Tech Electronics Engineering Corp.	"
MIC-Tech (WuXi) Co., Ltd.	"
MIC-Tech (Shanghai) Corp.	"
Shanghai Maohua Electronics Engineering Co.,Ltd.	"
Macrotec Technology Corp.	Entities controlled by key management or entities with significant influence
ProbeLeader Co., Ltd.	"
STS Glory Technology Corp.	"
MIC Techno Co., Ltd.	Associates

(2) Significant related party transactions and balances

A. Sales of goods and services

	<u>Years ended December 31,</u>	
Sales of goods	<u>2017</u>	<u>2016</u>
Subsidiaries	\$ 43,204	\$ 39,775

Prices to related parties and third parties are based on normal sales transactions and sales are collected 2 to 3 months after the completion of transactions.

	<u>Years ended December 31,</u>	
Construction Revenue	<u>2017</u>	<u>2016</u>
Subsidiaries	\$ 34,751	\$ 17,854
Associates	-	27
	<u>\$ 34,751</u>	<u>\$ 17,881</u>

The price of construction charges to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the collection terms to related parties are approximately the same to third parties, which is about 2 to 3 months after inspection of constructions depending on the construction contracts or individual agreements.

B. Acquisition of goods and services

	Years ended December 31,	
	2017	2016
Purchases of goods		
Subsidiaries	\$ 40,473	\$ 32,744
Entities controlled by key management or entities with significant influence	2,928	3,660
Total	<u>\$ 43,401</u>	<u>\$ 36,404</u>

Prices to related parties and third parties are based on normal purchases terms and are collectible about 2 to 3 months after inspection.

	Years ended December 31,	
	2017	2016
Outsourcing construction costs		
Subsidiaries	\$ 10,957	\$ 6,326
Entities controlled by key management or entities with significant influence	5,141	9,579
Total	<u>\$ 16,098</u>	<u>\$ 15,905</u>

The outsourcing construction costs paid to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the payment terms to related parties are approximately the same to third parties, which is about 2 months after inspection of constructions depending on the construction contracts or individual agreements.

C. Receivables from related parties

Accounts receivable

	December 31, 2017	December 31, 2016
Subsidiaries	\$ 7,098	\$ 11,084
Entities controlled by key management or entities with significant influence	4	14
Total	<u>\$ 7,102</u>	<u>\$ 11,098</u>

The collection terms to related parties and third parties are about 2 to 3 months after the sales while terms for construction are about 2 to 3 months after inspection of construction depending on the construction contracts or individual agreements.

D. Payables to related parties

Accounts payable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Subsidiaries	\$ 10,609	\$ 14,053
Entities controlled by key management or entities with significant influence	<u>9,335</u>	<u>10,253</u>
Total	<u>\$ 19,944</u>	<u>\$ 24,306</u>

The payment terms to related parties and third parties are about 2 to 3 months after inspection of purchases. The payment terms for outsourcing construction costs are about 2 months after inspection of construction, depending on normal construction contracts or individual agreements.

E. Advanced construction receipts (Recorded as Construction contracts receivable and payable)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Associates	\$ 10,316	\$ 10,316
Subsidiaries	<u>4,297</u>	<u>4,232</u>
Total	<u>\$ 14,613</u>	<u>\$ 14,548</u>

F. Property transactions

In 2017 and 2016, the Company has acquired computer equipment and related software from entities controlled by key management and the acquisition price was \$21,404 and \$20,532 (recorded as 'property, plant and equipment' and 'intangible assets'), respectively.

G. Operating expense

The fee of information maintenance service in 2017 and 2016 allocated to subsidiaries by the Company amounted to \$29,850 and \$31,190, respectively.

H. Financing

Financing to related parties in 2017 and 2016 are as follows:

	<u>Year ended December 31, 2017</u>			
	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Interest rate</u>	<u>Interest income</u>
Subsidiaries	<u>\$ 87,522</u>	<u>\$ 55,056</u>	4.616%	<u>\$ 2,664</u>
	<u>Year ended December 31, 2016</u>			
	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Interest rate</u>	<u>Interest income</u>
Subsidiaries	<u>\$ 59,663</u>	<u>\$ 59,663</u>	4.616%~4.756%	<u>\$ 1,289</u>

I. Endorsements and guarantees

(a) As of December 31, 2017 and 2016, the balances of endorsements and guarantees provided to subsidiaries by the Company are as follows:

	December 31,	
	2017	2016
Subsidiaries	\$ 2,881,622	\$ 2,419,559

(b) The revenue (recorded as 'other receivables' and 'other income') recognised from the abovementioned endorsements and guarantees are as follows:

	Years ended December 31,			
	2017		2016	
	Other receivables	Other income	Other receivables	Other income
Subsidiaries	\$ 16,965	\$ 32,478	\$ 13,404	\$ 29,046

(3) Key management compensation

	Years ended December 31,	
	2017	2016
Salaries and other short-term employee benefits	\$ 67,102	\$ 57,020

8. PLEGGED ASSETS

Details of the book value of the Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2017	December 31, 2016	
Refunable deposits (recorded as 'other current assets')	\$ 27,573	\$ 13,264	Bid bond and performance guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Commitments

(1) Operating lease agreements

The Company leases buildings under non-cancellable operating lease agreements. The lease terms are under 10 years, and all these lease agreements are renewable at the end of the lease period. Rental is increased periodically to reflect market rental rates. The Company recognised rental costs and expenses of \$87,351 and \$77,379 for these leases in profit or loss for the years ended December 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Not later than one year	\$ 52,086	\$ 31,158
Later than one year but not later than five years	117,506	62,787
Later than five years	<u>214,249</u>	<u>35,802</u>
Total	<u>\$ 383,841</u>	<u>\$ 129,747</u>

(2) As of December 31, 2017, the notes and letters of guarantee used for construction performance and custom security amounted to \$1,227,909.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) For details of 2017 earnings appropriation proposed by the Board of Directors on February 24, 2018, please refer to Note 6(20) E(b).

(2) The amendments to the Income Tax Act were promulgated by the President of the Republic of China on February 7, 2018, and went into effect on January 1, 2018 the material effects to the Company are described as follows:

A. The Company's applicable income tax rate will be raised from 17% to 20% effective from January 1, 2018. This will increase both the Company's deferred tax assets and deferred tax liabilities by 3%, and (decrease) increase current income tax expenses accordingly.

B. The imputation tax system will be abolished, thus, the balance of the imputation credit account on December 31, 2017 will become \$0 as of January 1, 2018.

12. OTHERS

(1) Capital risk management

The Company's main objective when managing capital is to maintain an optimal credit ranking and capital ratio to support the operation and to maximize stockholders' equity.

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Company's financial instruments not measured at fair value are including cash and cash equivalents, notes receivable, accounts receivable (including related parties), construction contracts receivable (including related parties), other receivables (including related parties), other financial assets (recorded as 'other current assets'), refundable deposits (recorded as 'other non-current assets'), short-term borrowings, notes payable, accounts payable (including related parties), construction contracts payable (including related parties), other payables, guarantee deposits received (recorded as 'other non-current liabilities, others') and long-term borrowings (including current portion) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

The Company's financial risk mainly arises from risks along with investments in financial instruments and foreign exchange risk of foreign currency transactions. The Company always adopts the restricted control standard for financial risk of all investments in financial instruments that market risk, credit risk, liquidity risk and cash flow risk of any financial investment and implementation has to be assessed and the ones with the least risks are chosen. For foreign exchange risk of foreign currency transactions based on strategic risk management objectives, the Company seeks the most optimised risk position and maintain appropriate liquidity position to reach the best hedging strategy.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, JPY and EUR. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.
- The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). 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, 2017

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	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>						
USD : NTD	\$ 45,906	29.76	\$ 1,366,163	1%	\$ 13,662	\$ -
EUR : NTD	7,406	35.57	263,447	1%	2,634	-
JPY : NTD	276,632	0.2642	73,086	1%	731	-
CNY : NTD	37,561	4.5648	171,460	1%	1,715	-
<u>Investments accounted for using equity method</u>						
USD:NTD	37,509	29.76	1,116,268	1%	11,163	-
VND:NTD	29,247,231	0.00119	34,804	1%	348	-
MMK:NTD	18,097,039	0.0219	396,325	1%	3,963	-
IDR:NTD	15,986,105	0.00223	35,649	1%	356	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 4,472	29.76	\$ 133,090	1%	\$ 1,331	\$ -

December 31, 2016

	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Sensitivity analysis	
					Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 47,071	32.25	\$ 1,518,052	1%	\$ 15,181	\$ -
EUR : NTD	5,833	33.90	197,722	1%	1,977	-
JPY : NTD	559,814	0.2756	154,285	1%	1,543	-
CNY : NTD	22,028	4.6169	101,703	1%	1,017	-
<u>Investments accounted for using equity method</u>						
USD:NTD	36,993	32.25	1,193,014	1%	11,930	-
VND:NTD	35,013,461	0.00129	45,167	1%	452	-
MMK:NTD	4,188,974	0.0236	98,860	1%	989	-
IDR:NTD	15,933,133	0.00243	38,718	1%	387	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	\$ 4,062	32.25	\$ 130,986	1%	\$ 1,310	\$ -
JPY : NTD	172,750	0.2756	47,610	1%	476	-

- Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company.

	Year ended December 31, 2017		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	29.76	(\$ 16,192)
EUR : NTD	-	35.57	1,892
JPY : NTD	-	0.2642	(1,946)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ -	29.76	\$ 2,010

		Year ended December 31, 2016		
		Exchange gain (loss)		
		Foreign currency amount		Book value (NTD)
		(In thousands)	Exchange rate	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD : NTD	\$	-	32.25	\$ 22,940
JPY : NTD		-	0.2756	(3,422)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
JPY : NTD	\$	-	0.2756	\$ 2,434

Price risk

- The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet at fair value through profit or loss.
- The Company's investments in equity securities comprise listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, profit for the years ended December 31, 2017 and 2016 would have increased/decreased by \$74 and \$76, respectively. Other financial assets that have been deducted from reconciling items in stockholders' equity and recognized as profit/loss for the years ended in 2017 and 2016 are \$16,278 and \$885, stockholders' equity for the years ended December 31, 2017 and 2016 would have increased/decreased by \$185 and \$344, respectively, as a result of gains/losses on equity securities classified as available-for-sale. Available-for-sale financial assets recognized as equity adjustments in 2017 and 2016 are (\$6,395) and \$29,408, respectively.

Interest rate risk

- The Company's interest rate risk arises from bank borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Changes in market interest rate will change effective interest rates of bank borrowings and thus fluctuate future cash flow. As the Company's operating capital is sufficient and risk is mostly offset by cash and cash equivalents held at variable rates, the Company has assessed there is no significant interest rate shift in cash flow risk.
- The Company analyses its interest rate exposure. 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.

- Under the Company’s simulation analysis result of interest risk, if the interest rate had increased/decreased by 1% with all other variables held constant, profit for the years ended December 31, 2017 and 2016 would have increased/decreased by \$7,055 and \$4,565, respectively.

(b) Credit risk

- 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, described as follows:
 - The Company has assessed the credit status of counterparties when selling products and goods or services. So it expects that the probability of counterparty default is remote. The Company’s maximum exposure to credit risk at balance sheet date is the carrying amount.
 - 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 set by the Board of Directors. The utilisation of credit limits is regularly monitored.
 - Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.
 - For banks and financial institutions, only rated parties with good ratings are accepted.
 - The endorsements and guarantees provided by the Company are all in accordance with “Regulations Governing Lending of Funds and Making of Endorsements/ Guarantees by Public Companies”. The Company knows the credit status of endorsees well and does not require any security. If there is any non-performance, the performance amount is the possible credit risk.
- No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- The ageing analysis of notes and accounts receivable (including related parties) that were past due but not impaired is calculated from the invoice date as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Up to 90 days	\$ 339,418	\$ 416,064
91 to 180 days	32,260	73,554
181 to 365 days	76,613	46,666
Over 365 days	<u>193,413</u>	<u>176,896</u>
	<u>\$ 641,704</u>	<u>\$ 713,180</u>

- Movement analysis of notes and accounts receivable (including related parties) that were impaired is as follows:
 - As of December 31, 2017 and 2016, the Company’s notes and accounts receivable that were impaired amounted to \$220,007 and \$211,513, respectively.

b. Movements on the Company's provision for impairment of notes and accounts receivable (including related parties) are as follows:

	Year ended December 31, 2017		
	Individual provision	Group provision	Total
At January 1	\$ 131,931	\$ 79,582	\$ 211,513
Provision of impairment during the period	8,494	-	8,494
Write-offs during the period	-	-	-
Transfer during the period	31,289	(31,289)	-
At December 31	<u>\$ 171,714</u>	<u>\$ 48,293</u>	<u>\$ 220,007</u>

	Year ended December 31, 2016		
	Individual provision	Group provision	Total
At January 1	\$ 97,131	\$ 87,307	\$ 184,438
Provision of impairment during the period	-	28,000	28,000
Write-offs during the period	(925)	-	(925)
Transfer during the period	35,725	(35,725)	-
At December 31	<u>\$ 131,931</u>	<u>\$ 79,582</u>	<u>\$ 211,513</u>

v. The credit quality of notes and accounts receivable (including related parties) that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

	December 31, 2017	December 31, 2016
Type A	\$ 21,416	\$ 5,928
Type B	1,562,102	1,601,116
Type C	497,380	470,472
	<u>\$ 2,080,898</u>	<u>\$ 2,077,516</u>

Type A: No credit limit. Clients include government institutions and government - owned corporations.

Type B: Credit limit is 130% of the average of transactions in the past year. Clients are counterparties whose average annual transactions reach NT\$30,000 for the most recent 3 years and who has stable sales and optimal financials.

Type C: Credit limit is gained through assessment based on ‘Client Credit Ranking Sheet’.

(c) Liquidity risk

- i. The Company invests in financial assets measured at fair value through profit or loss and available-for-sale financial assets in active markets, so it expects to sell the financial assets in markets with prices approximate to fair value. Financial assets at cost are not traded in active markets, thus, liquidity risk is expected. However, the Company’s operating capital is sufficient to fulfill the Company’s capital needs and it does not expect significant liquidity risk.
- 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 for non-derivative financial liabilities.

Non-derivative financial liabilities

<u>December 31, 2017</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 650,000	\$ -	\$ -	\$ -
Notes payable	908,350	-	-	-
Accounts payable (including related parties)	2,602,923	-	-	-
Other payables	407,884	-	-	-
Bonds payable	-	200,199	-	-
Long-term borrowings	-	200,000	-	-

<u>December 31, 2016</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 550,000	\$ -	\$ -	\$ -
Notes payable	858,352	-	-	-
Accounts payable (including related parties)	2,363,951	-	-	-
Other payables	338,486	-	-	-
Bonds payable	-	-	477,153	-

- 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.

(3) Fair value information

A. Details of the fair value of the Company's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A.

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2017 and 2016 is as follows:

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through profit or loss				
Equity securities	\$ 16,933	\$ -	\$ -	\$ 16,933
Call provision of convertible				
corporate bonds	-	-	210	210
Available-for-sale financial				
assets				
Equity securities	41,502	-	-	41,502
Total	<u>\$ 58,435</u>	<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 58,645</u>

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 7,247	\$ -	\$ -	\$ 7,247
Call provision of convertible corporate bonds	-	-	50	50
Available-for-sale financial assets				
Equity securities	<u>63,853</u>	<u>-</u>	<u>-</u>	<u>63,853</u>
Total	<u>\$ 71,100</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 71,150</u>

- D. Instruments which use market quoted prices as their fair value (that is, Level 1), are using the closing prices of listed shares as market quoted prices based on characteristics of the instruments.
- E. The following chart is the movement of Level 3 for the years ended December 31, 2017 and 2016:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Beginning balance	\$ 50	\$ -
Additions	-	250
Gain and losses recognised in profit or loss	<u>160</u>	<u>(200)</u>
Ending balance	<u>\$ 210</u>	<u>\$ 50</u>

- F. Investment strategies segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2017</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Convertible bond – call provision	\$ 210	Binomial tree pricing model	Volatility	21.31%~31.31%	The higher the stock price volatility, the higher the fair value

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Convertible bond – call provision	\$ 50	Binomial tree pricing model	Volatility	18.12%~28.12%	The higher the stock price volatility, the higher the fair value

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

				December 31, 2017			
				Recognised in profit or loss		Recognised in other comprehensive income	
				Favorable change	Unfavorable change	Favorable change	Unfavorable change
		Input	Change				
Financial assets							
Convertible bond							
- call provision	Interest rate	± 20bps	\$ -	\$ -	\$ -	\$ -	
	Stock price	± 10%	-	(20)	-	-	
	Volatility	± 5%	50	(60)	-	-	
Total			\$ 50	(\$ 80)	\$ -	\$ -	
				December 31, 2016			
				Recognised in profit or loss		Recognised in other comprehensive income	
				Favorable change	Unfavorable change	Favorable change	Unfavorable change
		Input	Change				
Financial assets							
Convertible bond							
- call provision	Interest rate	± 20bps	\$ 10	\$ 10	\$ -	\$ -	
	Stock price	± 10%	30	10	-	-	
	Volatility	± 5%	30	(10)	-	-	
Total			\$ 70	\$ 10	\$ -	\$ -	

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries and associates): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$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: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 4.

14. SEGMENT INFORMATION

Not applicable.

MARKETECH INTERNATIONAL CORP.

Loans to others

For the year ended December 31, 2017

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2017 (Note 2)	Balance at December 31, 2017 (Note 6)	Actual amount drawn down	Interest rate (%)	Nature of loan (Note 3)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for bad debts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
0	Marketch International Corp.	Marketch International Sdn.Bhd.	Other receivables	Y	\$ 87,522	\$ 55,056	\$ 55,056	4.616	2	\$ -	Operations	\$ -	None	-	\$ 2,057,991	\$ 2,057,991	Note 4
1	MIC-Tech Electronics Engineering Corp.	MIC-Tech (Shanghai) Corp.	Other receivables	Y	31,065	-	-	-	2	-	Operations	-	None	-	375,894	375,894	Note 5
1	MIC-Tech Electronics Engineering Corp.	Integrated Manufacturing & Services Co., Ltd.	Other receivables	Y	9,234	-	-	-	2	-	Operations	-	None	-	375,894	375,894	Note 5
1	MIC-Tech Electronics Engineering Corp.	Fuzhou Jiwei System Integrated Co., Ltd.	Other receivables	Y	1,371	1,369	1,369	4.35	2	-	Operations	-	None	-	375,894	375,894	Note 5
1	MIC-Tech Electronics Engineering Corp.	ChenGao M&E Engineering (Shanghai) Co., Ltd.	Other receivables	Y	2,054	2,054	2,054	4.785	2	-	Operations	-	None	-	375,894	375,894	Note 5
1	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	Other receivables	Y	61,707	57,060	57,060	4.35-4.785	2	-	Operations	-	None	-	187,947	375,894	Note 5
2	MIC-Tech (WuXi) Co., Ltd.	Shanghai Maohua Electronics Engineering Co., Ltd.	Other receivables	Y	6,925	-	-	-	2	-	Operations	-	None	-	9,535	19,070	Note 5
2	MIC-Tech (WuXi) Co., Ltd.	Integrated Manufacturing & Services Co., Ltd.	Other receivables	Y	13,851	-	-	-	2	-	Operations	-	None	-	19,070	19,070	Note 5
3	MIC-Tech (Shanghai) Corp.	Integrated Manufacturing & Services Co., Ltd.	Other receivables	Y	19,198	16,890	16,890	5.0025	2	-	Operations	-	None	-	269,635	269,635	Note 5
3	MIC-Tech (Shanghai) Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	Other receivables	Y	18,259	18,259	18,259	4.785	2	-	Operations	-	None	-	134,818	269,635	Note 5
3	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	Other receivables	Y	118,047	84,906	84,906	4.35-5.0025	2	-	Operations	-	None	-	269,635	269,635	Note 5
4	MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech Electronics Engineering Corp.	Other receivables	Y	48,375	44,640	-	4.616	2	-	Operations	-	None	-	414,804	829,608	Note 4

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the maximum outstanding balance of loans to others during the year ended December 31, 2017.

Note 3: Fill in the nature of the loan as follows:

- (1) Fill in 1 for business transactions and the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.
- (2) Fill in 2 for short-term financing and the purpose of loan, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 4: Limit on the loans from the Company and MIC-Tech Ventures Asia Pacific Inc.:

- (1) Limit on the accumulated balance of loans to others provided by the foreign companies whose voting rights are 100% owned directly and indirectly by the Company is 80% of the net assets based on the latest financial statements of subsidiaries who receive the loans. The following (2) and (3) do not apply to the limit.
- (2) For business transactions, limit on loans granted for a single party is the amount of the transactions. The amount of the transactions is the higher value of purchasing and selling during current year on the year of financing.
- (3) For short-term financing, limit on loans granted for a single party is 40% of the net assets of the lending companies. The amount of loans to a single party with short-term financing is the accumulated balance of the Company's short-term financing.
- (4) Limit of the accumulated balance of loans from (2) and (3) is 40% of the net assets based on the latest financial statements of the lending companies.

Note 5: Limit on the loans provided by the Company's mainland subsidiaries:

- (1) Limit on the total loans to others provided by the Company's mainland subsidiaries is 80% of the net assets based on the latest financial statements of the lending companies.
- (2) Limit on the loans provided by the Company's mainland subsidiaries granted for a single party are as follows:
 - (2-1) Limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing, and can't exceed the total business transactions amount within 12 month.
 - (2-2) For short-term financing between the Company's mainland subsidiary and the foreign companies which the ultimate parent company holds 100% of the voting rights directly or indirectly, limit on loans granted for a single party is 80% of the net assets based on the latest financial statements of the lending companies.
 - (2-3) For short-term financing between the Company's mainland subsidiaries and aforementioned associates, limit on loans granted for a single party is 40% of the net assets based on the latest financial statements of the lending companies. The amount of loans to a single party is the accumulated balance of the lending company's short-term financing for single party.

Note 6: The ending balance is the amount resolved by the Board of Directors.

MARKETECH INTERNATIONAL CORP.
Provision of endorsements and guarantees to others
For the year ended December 31, 2017

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2017 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2017 (Note 6)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)											
0	Marketech International Corp.	Marketech Integrated Pte. Ltd.	2	\$ 2,572,489	\$ 66,346	\$ 54,389	\$ 49,156	-	1.06%	\$ 5,144,977	Y	N	N	Note 3
0	Marketech International Corp.	Marketech Integrated Sdn. Bhd.	2	2,572,489	148,800	148,800	20,342	-	2.89%	5,144,977	Y	N	N	Note 3
0	Marketech International Corp.	MIC-Tech China Trading (Shanghai) Co., Ltd.	3	2,572,489	31,996	31,954	-	-	0.62%	5,144,977	Y	N	Y	Note 3
0	Marketech International Corp.	MIC-Tech (WuXi) Co., Ltd.	3	2,572,489	319,275	294,624	294,624	-	5.73%	5,144,977	Y	N	Y	Note 3
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	3	2,572,489	987,298	946,884	451,463	-	18.4%	5,144,977	Y	N	Y	Note 3
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	3	2,572,489	1,450,270	1,313,572	762,575	-	25.53%	5,144,977	Y	N	Y	Note 3
0	Marketech International Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	3	2,572,489	93,444	91,399	15,872	-	1.78%	5,144,977	Y	N	Y	Note 3
0	Marketech International Corp.	Special Triumph Sdn. Bhd.	5	2,572,489	39,309	39,309	24,738	-	0.76%	5,144,977	N	N	N	Note 3
1	Marketech Co., Ltd.	MIC-Tech Viet Nam Co., Ltd.	3	12,005	8,320	7,675	7,675	-	191.78%	20,009	N	N	N	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (WuXi) Co., Ltd.	3	1,409,603	4,340	4,291	4,291	-	0.91%	2,349,339	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co., Ltd.	5	1,409,603	71,415	71,321	71,321	-	15.18%	2,349,339	N	N	Y	Note 4
2	MIC-Tech Electronics Engineering Corp.	MIC-Tech (Shanghai) Corp.	3	1,409,603	169,222	109,508	109,508	-	23.31%	2,349,339	N	N	Y	Note 4
2	MIC-Tech (Shanghai) Corp.	MIC-Tech Electronics Engineering Corp.	3	1,011,132	629,272	629,272	629,272	-	186.70%	1,685,221	N	N	Y	Note 4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.
- (5) Mutual guarantee of the trade as required by the construction contract.
- (6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: Limit on endorsements and guarantees stated in "Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies":

- (1) In accordance with mutual guarantee requirement in the same industry for contracting constructions, limit on the total amount is 5 times of the Company's net assets.
- (2) Except for guarantees for contracting constructions, limit on the Company's accumulated endorsement/guarantee is the Company's net assets; limit on endorsement/guarantee to a single party is 50% of the Company's net assets. Limit on the total endorsement/guarantee of the Company and its subsidiaries as a whole is 1.5 times of the Company's net assets; limit on endorsement/guarantee to a single party is 75% of the Company's net assets.

Note 4: Limit on endorsements and guarantees of the Group's subsidiary - Marketech Co., Ltd.:

- (1) In accordance with mutual guarantee requirement in the same industry or the common builders for contracting constructions, or provision of endorsements and guarantees for joint ventures from shareholders in proportion to shareholding ratio, limit on the total amount is 5 times of the net assets of Marketech Co., Ltd.. Limit on endorsement/guarantee to a single party is three times of the net assets of Marketech Co., Ltd..
- (2) Except for (1), the Group follows standards of endorsements and guarantees as below:
 - (2-1) Total amount: (2-1-1) Limit on the accumulated endorsements and guarantees is 5 times of the net assets of Marketech Co., Ltd.;
 - (2-1-2) Limit on endorsements and guarantees to a company of which the endorser company and the ultimate parent company directly or indirectly holds 90%, should meet the requirement in (2-1-1) and may not exceed 10% of the ultimate parent's net assets. However,

the endorsements and guarantees of Marketech Co., Ltd. to the ultimate parent which it holds 100% of voting shares are not subjected.

(2-1-3) Total endorsements and guarantees of Marketech Co., Ltd. and its subsidiaries are limited to 5 times of the net assets of Marketech Co., Ltd..

(2-2) Limit on endorsement/guarantee to a single party

(2-2-1) For the companies having business relationship with Marketech Co., Ltd. and thus being provided endorsements/guarantees, limit on endorsements to a single party is the total value of business transactions within past 12 months.
(the value of business transactions is the higher of purchase or sales)

(2-2-2) Limit on endorsement/guarantee to a single party who having business relationship with the Group is 3 times of the net assets of Marketech Co., Ltd..

Limit on endorsements and guarantees of the Group's subsidiary - MIC-Tech Electronics Engineering Corp. and MIC-Tech (Shanghai) Corp.:

(1) In accordance with mutual guarantee requirement in the same industry or the common builders for contracting constructions, or provision of endorsements and guarantees for joint ventures from shareholders in proportion to shareholding ratio, limit on the total amount is 5 times of the net assets of the endorser/guarantor on endorsement/guarantee to a single party is three times of the net assets of the endorser/guarantor.

(2) Except for (1), the Group follows standards of endorsements and guarantees as below:

(2-1) Total amount: (2-1-1) Limit on the accumulated endorsements and guarantees is 5 times of the net assets of the endorser/guarantor;

(2-1-2) Limit on endorsements and guarantees to a company of which the endorser company and the ultimate parent company directly or indirectly holds 90%, should meet the requirement in (2-1-1) and may not exceed 10% of the ultimate parent's net assets.

However, the endorsements and guarantees of the endorser/guarantor to the ultimate parent which it holds 100% of voting shares are not subjected.

(2-1-3) Total endorsements and guarantees of the endorser/guarantor and its subsidiaries are limited to 5 times of the net assets of the endorser/guarantor.

(2-2) Limit on endorsement/guarantee to a single party

(2-2-1) For the companies having business relationship with the endorser/guarantor and thus being provided endorsements/guarantees, limit on endorsements to a single party is the total value of business transactions within past 12 months.
(the value of business transactions is the higher of purchase or sales)

(2-2-2) Limit on endorsement/guarantee to a single party who having business relationship with the Group is 3 times of the net assets of the endorser/guarantor.

Note 5: Fill in the nine months-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 6: As of the balance sheet date, companies which provide contracts or notes for endorsements/guarantees to banks bear the responsibility of endorsements/guarantees as credit limit of the contracts or notes are approved. Other related endorsements/guarantees should be included in the outstanding balance of endorsements/guarantees. The outstanding balance is the amount resolved by the Company's Board of Directors.

MARKETECH INTERNATIONAL CORP.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

For the year ended December 31, 2017

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

As of December 31, 2017										
Securities held by	Type of marketable securities	Name of marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	Number of shares	Book value (Note 2)	Ownership (%)	Fair value	Collateral	Footnote
Marketech International Corp.	Ordinary shares	Lasertec Corporation	None	Financial assets measured at fair value through profit or loss - current	20,000	\$ 15,038	-	\$ 15,038	None	
"	"	Solar Applied Materials Technology Corp.	"	"	44,078	934	-	934	"	
"	"	Aerospace Industrial Development Corp.	"	"	25,925	961	-	961	"	
						<u>\$ 16,933</u>		<u>\$ 16,933</u>		
"	Ordinary shares	Calitech Co., Ltd.	None	Available-for-sale financial assets - current	1,409,119	\$ 41,502	4.71%	\$ 41,502	None	
"	Ordinary shares	Taiwan Colour & Imaging Technology Corp.	None	Financial assets measured at cost - non-current	1,700,000	\$ 25,330	13.03%	\$ -	None	
"	"	Taiwan Puritic Corp.	"	"	6,191,181	39,287	10.32%	-	"	
"	"	SOPower Technology Corp.	"	"	189,223	-	12.61%	-	"	
"	"	VEEV Interactive Pte. Ltd.	"	"	840,000	-	6.45%	-	"	
"	"	Taiwan Intelligent Fiber Optic Network Co., Ltd.	"	"	3,868,261	44,024	1.58%	-	"	
"	"	H&D Venture Capital Investment Corp.	Entities controlled by key management or entities with significant influence	"	832,000	8,320	6.67%	-	"	
"	"	Civil Tech Pte. Ltd.	None	"	362,249	13,650	0.65%	-	"	
"	"	ProbeLeader Co., Ltd.	Entities controlled by key management or entities with significant influence	"	966,000	14,490	3.46%	-	"	
"	"	Top Green Energy Technologies, Inc.	None	"	1,111,111	3,000	0.89%	-	"	
"	"	IP Fund Six Co., Ltd.	"	"	1,000,000	10,000	1.79%	-	"	
"	"	Innorich Venture Capital Corp.	"	"	1,000,000	10,000	1.87%	-	"	
"	"	Taiwan Foresight Co., Ltd.	"	"	380,000	4,750	2.24%	-	"	
"	"	Long Time Technology Corp.	"	"	346,000	6,516	0.76%	-	"	
"	"	Paradigm Venture Capital Corp.	"	"	100,208	1,002	3.50%	-	"	
"	"	Taiwan Special Chemicals Corp.	"	"	2,901,333	29,013	1.00%	-	"	
"	"	BMR Technology Corp.	"	"	2,449,717	-	18.47%	-	"	
"	"	Atech Totalsolution Co., Ltd.	"	"	128,000	-	0.23%	-	"	
"	"	East Wind Life Science Systems	"	"	124,457	-	12.87%	-	"	
"	"	EcoLand Corp.	"	"	310,715	8,700	13.51%	-	"	
"	"	Radisen Co. Ltd	"	"	70,000	9,545	17.50%	-	"	
"	"	Foresight Energy Technologies Co., Ltd.	"	"	1,350,000	10,875	4.50%	-	"	
"	"	Sum Capital Healthcare Investment Corp. (BE Healthcare Investment Co., Ltd.)	Entities controlled by key management or entities with significant influence	"	943,050	9,431	8.14%	-	"	
"	"	Intellicares co., Ltd	"	"	200,000	2,000	19.99%	-	"	
"	Preferred stock	Engenuity System, Inc.	None	"	833,334	-	Note 3	-	"	
"	"	ACM Research Inc.	"	"	266,667	-	"	-	"	
"	"	Applied Harmonics Corporation	"	"	237,179	-	"	-	"	
"	"	Adant Technologies Inc.	"	"	174,520	6,509	"	-	"	
"	"	Kinestral Technologies, Inc.	"	"	418,760	21,165	"	-	"	
MIC-Tech (Shanghai) Corp. Ltd.	Ordinary shares	MIC-Tech (Beijing) Environment Co.	Entities controlled by key management or entities with significant influence	"	-	<u>1,736</u>	19.00%	-	"	Note 4
	Total					<u>\$ 279,343</u>				

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 3: Holding preferred stock.

Note 4: The initial investment in the investee, MIC-Tech (Beijing) Environment Co., is translated at the exchange rate at December 31, 2017.

MARKETECH INTERNATIONAL CORP.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2017

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	Transaction terms	
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Sales revenue	\$ 42,893	Sales revenue: Prices and terms of sales of goods to related parties are approximately the same to third parties. A certain percentage of profit is negotiated for sale of services with related parties. Construction revenue: The price of construction charges to related parties and third parties are based on normal construction contracts or individual agreements. Furthermore, the collection terms to related parties are approximately the same to third parties, which is about 2 to 3 months after inspection of constructions depending on the construction contracts or individual agreements.	0.21%
0	Marketech International Corp.	MIC-Tech (Shanghai) Corp.	1	Non-operating revenue	8,835		0.04%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Non-operating revenue	18,975		0.09%
0	Marketech International Corp.	MIC-Tech Electronics Engineering Corp.	1	Construction revenue	11,841		0.06%
0	Marketech International Corp.	Marketech International Sdn. Bhd.	1	Other receivables	57,451		0.36%
0	Marketech International Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	1	Construction revenue	18,567		0.09%
1	eZoom Information, Inc.	Marketech International Corp.	2	Services revenue	36,286		0.18%
2	MIC-Tech Global Corp.	Marketech International Corp.	2	Sales revenue	43,609		0.22%
2	MIC-Tech Global Corp.	MIC-Tech (Shanghai) Corp.	3	Sales revenue	10,113		0.05%
3	MIC-Tech Electronics Engineering Corp.	Marketech International Corp.	3	Accounts payable	10,313		0.06%
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	3	Other receivables	57,060	0.36%	
3	MIC-Tech Electronics Engineering Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	3	Accounts payable	9,795	0.06%	
4	Shanghai Maohua Electronics Engineering Co.,Ltd.	MIC-Tech Electronics Engineering Corp.	3	Construction revenue	15,735	0.08%	
4	Shanghai Maohua Electronics Engineering Co.,Ltd.	Marketech International Corp.	2	Construction revenue	8,874	0.04%	
4	Shanghai Maohua Electronics Engineering Co.,Ltd.	Marketech International Corp.	2	Accounts receivables	9,541	0.06%	
5	MIC-Tech (Shanghai) Corp.	Shanghai Maohua Electronics Engineering Co.,Ltd.	3	Other receivables	18,259	0.11%	
5	MIC-Tech (Shanghai) Corp.	Integrated Manufacturing & Services Co., Ltd.	3	Other receivables	16,890	0.11%	
5	MIC-Tech (Shanghai) Corp.	MIC-Tech China Trading (Shanghai) Co. Ltd.	3	Other receivables	84,906	0.53%	

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Individual amounts less than \$5,000 are not disclosed.

MARKETECH INTERNATIONAL CORP.
Information on investees
For the year ended December 31, 2017

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount (Note2)		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 1)	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Marketech International Corp.	Marketech Integrated Pte. Ltd.	Singapore	Contracting for semiconductor automatic supply system	\$ 192,522	\$ 160,177	8,225,040	100	(\$ 6,081)	(\$ 15,988)	(\$ 15,988)	The Company's subsidiary
Marketech International Corp.	Market Go Profits Ltd.	Virgin Islands	Investment holding and reinvestment	1,245,570	1,209,166	38,369,104	100	1,038,755	(74,893)	(74,893)	The Company's subsidiary
Marketech International Corp.	MIC-Tech Global Corp.	South Korea	International trade	19,147	19,147	131,560	100	7,706	(6,436)	(3,537)	The Company's subsidiary
Marketech International Corp.	Headquarter International Ltd.	Virgin Islands	Investment holding and reinvestment	42,475	42,475	1,289,367	100	37,958	(1,179)	(1,179)	The Company's subsidiary
Marketech International Corp.	Tiger United Finance Ltd.	Virgin Islands	Investment holding and reinvestment	46,475	46,475	1,410,367	100	37,107	(646)	(646)	The Company's subsidiary
Marketech International Corp.	Marketech Engineering Pte. Ltd.	Singapore	Contracting for electrical installing construction	10,129	10,129	421,087	100	2,448	(2,129)	(2,129)	The Company's subsidiary
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Myanmar	Design, manufacturing, installation of automatic production equipment and its parts	438,298	112,973	1,400,000	100	396,325	(5,590)	(5,590)	The Company's subsidiary
Marketech International Corp.	MIC-Tech Viet Nam Co., Ltd.	Vietnam	Trading, installation and repair of various machinery equipment and its peripherals	39,345	39,345	-	100	30,802	(1,890)	(1,890)	The Company's subsidiary
Marketech International Corp.	Marketech Co., Ltd.	Vietnam	Specialized contracting and related repair services; equipment sales and repair; sales of cosmetics and daily necessities	29,922	29,922	-	100	4,002	(5,145)	(5,145)	The Company's subsidiary
Marketech International Corp.	eZoom Information, Inc.	Taiwan	Research, trading and consulting of information system software and hardware appliance	67,737	57,737	7,200,000	100	31,690	(1,835)	(1,835)	The Company's subsidiary
Marketech International Corp.	Marketech International Sdn.Bhd.	Malaysia	Specialized contracting and related repair services	44,262	44,262	6,258,750	51.12	29,533	5,079	2,596	The Company's subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount (Note2)		Shares held as at December 31, 2017			Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 1)	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares	Ownership (%)	Book value			
Marketech International Corp.	ADAT Technology Ltd.	Taiwan	The research, development, application, and service of software; supply of electronic information and the buying and selling of equipment	\$ 10,000	\$ -	1,000,000	83.33	\$ 6,029	(\$ 4,765)	(3,971)	The Company's subsidiary
Marketech International Corp.	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	38,042	38,042	1,199,000	99.92	35,649	124	124	The Company's subsidiary
Marketech International Corp.	Marketech Netherlands B.V	Netherlands	International trade business of machine and components and technical service	10,671	-	300,000	100	10,453	(211)	(211)	The Company's subsidiary
Marketech International Corp.	Glory Technology Service Inc..	Taiwan	Sale and installation of information and communication equipment	31,019	21,408	4,093,215	34.11	46,153	9,152	3,158	The Company's investee accounted for using equity method
Marketech International Corp.	MIC Techno Co., Ltd.	Taiwan	Sale of panels and its materials	2,000	2,000	200,000	20	1,849	(76)	(15)	The Company's investee accounted for using equity method
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Cayman Islands	Investment holding and reinvestment	1,240,073	1,203,669	38,266,604	100	1,037,010	(74,747)	-	The investor's subsidiary
Marketech Integrated Pte Ltd.	Marketech International Sdn. Bhd.	Malaysia	Specialized contracting and related repair services	42,319	42,319	5,984,000	48.88	29,378	5,079	-	The Company's investee accounted for using equity method
Marketech Engineering Pte Ltd.	Marketech Integrated Construction Co., Ltd.	Myanmar	Contracting for electrical installing construction	8,569	8,569	28,500	95	1,906	(2,101)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Rusky H.K. Limited	Hong Kong	Investment holding and reinvestment	34,551	28,521	833,000	100	(16,196)	1,854	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co. Limited	Hong Kong	Investment holding and reinvestment	31,422	31,422	2,337,608	100	5,636	(401)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Hong Kong	Investment holding and reinvestment	95,290	58,887	4,200,000	100	31,455	(5,152)	-	The investor's subsidiary
MIC-Tech Ventures Asia Pacific Inc.	Leader Fortune Enterprise Co., Ltd.	Samoa	Investment holding and reinvestment	8,990	8,990	303,000	31.43	4,115	6,078	-	The investor's investee accounted for using equity method
Rusky H.K. Limited	PT Marketech International Indonesia	Indonesia	Trading business of machine equipment and parts	32	32	1,000	0.08	30	124	-	The investor's investee accounted for using equity method

Note 1: The amount of \$0 means that the Company does not directly recognise gain or loss on investments.

Note 2: Except for subsidiaries in Malaysia are translated at the current rate as of December 31, 2017, the initial investment amounts of other investees are translated at the current rate as of the investment date.

MARKETECH INTERNATIONAL CORP.
Information on investments in Mainland China
For the year ended December 31, 2017

Table 6

1. Basic information

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 (Note 3)	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MIC-Tech (WuXi) Co., Ltd.	Design, manufacturing, installation and maintenance of semiconductor device, crystal dedicated device, electronic component device, environment pollution preventing equipment; assembling of wrapping device and cooling equipment; assembling of barbecue grill; wholesale, commission agency and import and export of the aforementioned products their components, textile, commodities, chemical products and cosmetics; lease of self-owned plants; design, manufacturing, sales and installation of automatic warehousing equipment and accessories, automatic logistics transporting equipment and accessories; R&D, sales and installation of supplementary engineering in logistics dispatch system	\$ 758,880	Note 1(2)	\$ 610,080	\$ -	\$ -	\$ 610,080	(\$ 2,055)	100	(\$ 1,483)	\$ 20,529	\$ -	Note 2 (2)B
MIC-Tech (Shanghai) Corp.	Wholesale, commission agency, maintenance, repairment, manufacture, import and export of semiconductor production, inspection equipment and its consumables and boilers that generate electricity; storage and allocation of mainly chemical and boiler products; international and entrepot trade; trading and trading agency among enterprises in customs bonded area; consulting services in customs bonded area	245,252	Note 1(2)	14,880	-	-	14,880	17,980	100	17,980	337,044	-	Note 2 (2)B
Fuzhou Jiwei System Integrated Co., Ltd.	Installation and complete services of clean room, mechanical system, street pipe system	8,928	Note 1(2)	8,928	-	-	8,928	(895)	100	(895)	(1,734)	-	Note 2 (2)B
Shanghai Maohua Electronics Engineering Co.,Ltd.	Production of scrubber bins for semiconductor manufacturers, design, installation, debugging and technology services of tunnel system, equipment repair for semiconductor manufacturers, consulting service for electrical and medical equipment; wholesale, commissioned distribution (exclude auction), export, import and related services of electronic products, machinery equipment, chemical products (exclude dangerous articles), communication equipment, metal products, plastic products	17,856	Note 1(2)	17,945	-	-	17,945	1,317	87	2,060	(16,389)	-	Note 2 (2)B
MIC-Tech Electronics Engineering Corp.	General contracting for electrical installing construction, specialized contracting for electrical installing construction, specialized contracting for electronic engineering, specialized contracting for petroleum and chemical equipment installation, specialized contracting for channel and guarantee for post construction and consulting service for related construction technology	524,341	Note 1(2)	253,555	-	-	253,555	(91,119)	100	(91,119)	469,868	-	Note 2 (2)B
SKMIC (WUXI) Corp.	Design, installation and repairment of semi-conductor and transistor facilities, electronic components facilities and pollution prevention equipment, as well as wholesale, commission agent and export/import business of products listed above, industrial cleaning, repairment and maintenance.	\$ 9,077	Note 1(2)	\$ 1,458	\$ -	\$ -	\$ 1,458	(\$ 4,861)	49	(\$ 2,382)	\$ 161	\$ -	Note 2 (2)B
ChenGao M&E Engineering (Shanghai) Co., Ltd.	Design of microelectronic products and display devices, consulting service for related technology and management	5,952	Note 1(2)	5,952	-	-	5,952	(149)	100	(149)	(2,660)	-	Note 2 (2)B
Frontken-MIC (Wuxi) Co., Ltd.	Research of specialized cleaning equipment of semiconductor device and integrated circuit, cleaning of special components of semiconductor device, integrated circuit and micromodule and cleaning technology for semiconductors, assembling, installation and maintenance of cooling equipment; design, manufacture, sale and installation of automatic warehouse equipment and fittings, and automatic logistics transporting equipment and fittings; development, sale and installation of computer aided engineering; wholesale, commission, import and export of above products and parts	68,686	Note 1(2)	27,474	-	-	27,474	(374)	100	(374)	5,616	-	Note 2 (2)B

Investee in Mainland China	Main business activities	Paid-in capital (Note 3)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017 (Note 3)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017 (Note 3)		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 (Note 3)	Net income of investee for the year ended December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2017 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Integrated Manufacturing & Services Co., Ltd.	Development of special equipment for solar cell production, manufacture of optical engine, lighting source, projection screen, high definition projection cathode-ray tube and micro-display module, and production, cleaning and regeneration of new electrical device	124,992	Note 1(2)	44,640	35,712	-	80,352	(5,152)	100	(5,152)	30,712	-	Note 2 (2)B
MIC-Tech China Trading (Shanghai) Co., Ltd.	Wholesale, commission agency and import and export of chemical products (except for hazardous chemicals, chemicals used in production of narcotic drugs and psychotropic substances and special chemicals), semiconductors, inspection equipment and its consumables, solar equipment consumables and boilers that generate electricity, International and entrepot trade, trading and trading agency among enterprises in customs bonded area, consulting service for trading, installation, repair, and maintenance of automation equipment, electronic equipment, and their parts	44,640	Note 1(2)	44,640	-	-	44,640	(13,502)	100	(13,502)	25,270	-	Note 2 (2)B
Macrotec Technology (Shanghai) Co., Ltd.	Wholesale, commission agency, import and export and other complementary service of electrical products, food, textile, commodities, cosmetics, valve switch, instrumentation, metal products, electrical equipment, International and entrepot trade, trading and trading agency among enterprises in customs bonded area, simple commercial processing in customs bonded area, and consulting service for trading in customs bonded area	\$ 28,477	Note 1(2)	\$ 8,950	\$ -	\$ -	\$ 8,950	\$ 6,107	31.43	\$ 1,919	\$ 4,105	\$ -	Note 2 (2)B

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in Market Go Profits Ltd., which then invested in the investee in Mainland China.
- (3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2017' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. Others - unreviewed financial statements.

Note 3: Paid-in capital and investment amount were translated at the original currency times exchange rate at period end.

2. Limit on investees in Mainland China

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 (Note 1) (Note 2)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Marketech International Corp.	\$ 1,085,936	\$ 1,908,120	\$ 3,086,986

Note 1: The amount was translated at the original currency times exchange rate at period end.

Note 2: The Company has sold WUXI Probeleader Electronics Co., Ltd. at the end of November 2011. As the accumulated investment was different from the investment collected back, the difference between accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017 and accumulated amount of remittance from Taiwan to Mainland China registered at and approved by MOEA was US\$186 thousand.