Stock Code：6196

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Marketech International Corp.

2016 Annual Report

Printed on April 30, 2017

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：**

Spokesperson：Scott Lin
Title：President
Tel：+883-2-26558899
Email：mic@micb2b.com

Deputy Spokesperson：Scott Lin
Title：President
Tel：+886-2-26558899
Email：mic@micb2b.com

2. **The address and telephone number of the company's headquarters, branch offices, and factories：**

Corporate Headquarter：6F, No.3-2, Yuancyu St., Nangang Dist., Taipei City 11503, Taiwan, R.O.C.
Tel：+886-2-26558899
Hsin Chu Branch：6F-3, No.83, Sec2, Gongdao 5th Rd., East Dist., Hsinchu City 30070, Taiwan, R.O.C.
Tel：+886-03-5160088
Tainan Science Park Branch：No.6, Dali 2nd Rd., Tainan Science-Based Industrial Park, Tainan City 74144, Taiwan,R.O.C.
Tel：+886-6-5055666
Hukou Factory：No.35, Guangfu S. Rd., Hukou Township, Hsinchu County 303, Taiwan, R.O.C.
Tel：+886-3-5974779
Toufen Factory：No.15, Lane 430, Zonghua Rd, Toufen Township, Miaoli County 351, Taiwan, R.O.C.
Tel：+886-37-612385
Shanhua Factory：No.73 Hsingnong Rd., Shanhua Township, Tainan City 741 ,Taiwan,R.O.C.
Tel：+886-6-5819803
Tainan Science Factory：No.6, Dali 2nd Rd., Tainan Science-Based Industrial Park, Tainan City 74144, Taiwan,R.O.C.
Tel：+886-06-5055666
Tainan Science Factory：No.6, Dali 2nd Rd., Tainan Science-Based Industrial Park, Tainan City 74144, Taiwan,R.O.C.
Tel：+886-06-5055666
MIC-TECH Wuxi Factory：No. 11, Xin Xi Rd., Wuxi National High-Tech DEV Zone, Wuxi City, Jiangsu Province, China 214028
Tel：+ 86-510-85200505

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
Tel：+886-2-23892999

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：AccountLin,Chun-Yao&AccountChang, Shu-Chiung
Accounting Firm：PricewaterhouseCoopers Taiwan
Address：27F,Taiwan No.333., Sec. 1,Keelung Rd, Taipe Cityi, 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. Preface

Dear shareholders, ladies, and gentlemen,

Marketech International Corporation (MIC), established for 28 years, has been a listed company for 14 years. Over the years, we are committed to providing high-tech plant engineering solutions and equipment for automatic supply system. At the same time, we also provide OEM/ODM parts supply as well as localized and customized process and facility equipment. What's more, we are dedicated to provide a comprehensive marketing platform as a sales representative. In 2016, MIC had attained operational success by achieving a record high net profit.

MIC's huge success in 2016 was marked by gaining a consolidated revenue of 18.651 billion dollars with a 3% growth compared to the revenue of 18 billion dollars the previous year. The operating income was 700 million dollars with an annual increase of 21%, and the net profit after tax was 511 million dollars with an annual growth of 11%. The consolidated earnings per share was 3.1. Our company had achieved a record high success in annual revenue, net profit, and earnings per share.

In recent years, the semiconductor industry has been booming in China with frequent plant expansion news. According to the latest World Fab Forecast report of the Semiconductor Equipment and Materials International (SEMI), it is anticipated that there will be 62 newly built fab plants between 2017 and 2020 with 26 of those plants locating in China. Presently, out of 19 fab plants planning to be built within two years, 10 are to be built in China. SEMI's latest year-end forecast announces that the revenue for the global semiconductor manufacturing equipment market is expected to grow 8.7% to 39.7 billion dollars in 2016 and 9.3% to 43.4 billion US dollars. All the data and the market atmosphere tell us that the semiconductor industry is going to reap a rich harvest in the coming years. MIC has grasped the opportunity and set up a good foundation to continue receiving orders in this feverish wave of fab plant expansion.

Here, I would like to extend my deepest gratitude to thank every client for their trust and support in us. I also appreciate the hard effort and contributions of our colleagues as well as every shareholder's confidence in and encouragement to us. With all the support, MIC has grown and thriven in 14 years. In the face of the dynamic transformation of the technology industry, we must strive for excellence and cultivate expertise. While in the pursuit of operational growth, the management team at MIC must abide by the corporate governance and take on the social responsibility, bringing us all towards the path of sustainable development so that we can create higher corporate value for clients, shareholders and employees alike.

Margaret Kao
Chairman & CEO

2. Business Report

2.1 The operating results of 2015

2.1.1 Operating results

The Company's consolidate revenue for 2016 totaled NT$18,650,941 thousand, with an increase over NT$18,031,624 thousand comparing with the year before (2015). Net income in 2016 was NT$511,263 thousand, with an increase over NT$459,985 thousand comparing with the year before.
The Parent Company's separate revenue of the parent company for 2016 totaled NT$13,308,343 thousand, with an increase over NT$12,482,462 thousand comparing with the year before (2015). Net income in 2016 was NT$515,151 thousand, with an increase over NT$458,724 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 2016 and 2015 Consolidated and Separate Financial Statement is listed as follows:

(1) Summary of Consolidated Financial Statement

Unit：NT$ thousands

Items	2015	2016	Variance ($)	Variance (%)
Operating Revenue	18,031,624	18,650,941	619,317	3.43
Gross Profit	2,014,602	2,247,657	233,055	11.57
Operating Income	574,436	700,300	125,864	21.91
Net Income	459,985	511,263	51,278	11.15
EPS(indollars) (Note2)	2.78	3.12	0.34	12.23

Note 1: The above information is summarized from Audit Reports of 2015 and 2016.
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	2015	2016	Variance ($)	Variance (%)
Operating Revenue	12,482,462	13,308,343	825,881	6.62
Gross Profit	1,485,761	1,749,009	263,248	17.72
Operating Income	616,331	770,176	153,845	24.96
Net Income	458,724	515,151	56,427	12.30
EPS (in dollars) (Note2)	2.78	3.12	0.34	12.23

Note 1: The above information is summarized from Audit Reports of 2015 and 2016.
Note 2: The Earnings per Share is calculated based on the no. of the weighted average outstanding shares.

2.1.2 Budget Implementation

In 2016, 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 2016. 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

<table>
<tr><th colspan="3" rowspan="2">Items</th><th colspan="2">Consolidated Financial Information</th><th colspan="2">Separate Financial Information</th></tr>
<tr><th>2015</th><th>2016</th><th>2015</th><th>2016</th></tr>
<tr><td rowspan="2">Financial Structure</td><td colspan="2">Ratio of liabilities to assets (%)</td><td>62.56</td><td>67.30</td><td>52.26</td><td>58.26</td></tr>
<tr><td colspan="2">Ratio of long-term capital to fixed assets (%)</td><td>325.88</td><td>377.18</td><td>410.30</td><td>469.76</td></tr>
<tr><td rowspan="3">Solvency</td><td colspan="2">Current ratio(%)</td><td>136.04</td><td>137.68</td><td>129.52</td><td>139.25</td></tr>
<tr><td colspan="2">Quick ratio (%)</td><td>99.78</td><td>102.89</td><td>93.04</td><td>100.19</td></tr>
<tr><td colspan="2">Interest cover</td><td>16.15</td><td>12.88</td><td>71.28</td><td>55.50</td></tr>
<tr><td rowspan="6">Profitibility</td><td colspan="2">Return on total assets (%)</td><td>4.15</td><td>4.29</td><td>5.02</td><td>5.16</td></tr>
<tr><td colspan="2">Return on sharehlders’ equity (%)</td><td>10.40</td><td>11.27</td><td>10.38</td><td>11.36</td></tr>
<tr><td rowspan="2">Ratio to issued capital (%)</td><td>Operating income</td><td>34.80</td><td>42.42</td><td>37.34</td><td>46.66</td></tr>
<tr><td>Pre-tax income</td><td>35.52</td><td>40.75</td><td>34.74</td><td>40.68</td></tr>
<tr><td colspan="2">Profit ratio (%)</td><td>2.55</td><td>2.74</td><td>3.67</td><td>3.87</td></tr>
<tr><td colspan="2">Earnings per share (in dollars)（Note）</td><td>2.78</td><td>3.12</td><td>2.78</td><td>3.12</td></tr>
</table>

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

Unit：NT$ thousands

<table>
<tr><th rowspan="2">Year / Items</th><th colspan="2">Consolidated Financial Statement</th><th colspan="2">Separate Financial Statement</th></tr>
<tr><th>2015</th><th>2016</th><th>2015</th><th>2016</th></tr>
<tr><td>Research and development expenses (A)</td><td>173,494</td><td>209,703</td><td>173,307</td><td>208,022</td></tr>
<tr><td>Operating revenue (B)</td><td>18,031,624</td><td>18,650,941</td><td>12,482,462</td><td>13,308,343</td></tr>
<tr><td>Ratio (A)/(B)(%)</td><td>0.96</td><td>1.12</td><td>1.39</td><td>1.56</td></tr>
</table>

(2) Developed technologies and products in 2016

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
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

2.2 Highlights of 2017 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.

2.2.2 Sales volume forecast and basis thereof

According to Industrial Economics and Knowledge Center (IEK), it is forecasted that the economy will be recovered in 2017 due to the slowing-down fluctuation of global commodity price and the country's better performance in exports; the output value of semiconductor is also expected to have a growth of 3.5% to 4.2% in 2017 as a result of semiconductor players' consistent investment in advanced production, which help to pick up the import. Besides, the up-to-date "Global Economic Prospects" released by the World Bank, the growth rate of global real GDP will be rebounded, from 2.3% (2016) to 2.7%, in 2017. Directorate-General of Budget, Accounting and Statistics (DGBAS) also adjusted the annual economic growth rate of last year (2016) to 1.5%; the forecast of the annual growth rate of this year (2017) is also adjusted to 1.92, showing the best performance over the last three years.

Looking into 2017, 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

To respond to the fierce competition of macroeconomic environment, the increase in cost and decrease in profitability have become a common phenomenon. MIC Group will do our best to further control relevant costs and expenses to increase our competitiveness in the industry. As for the regulations, amendments concerning the protection to our environment, consumers and investors were made, causing more restrictions on business and turning the business environment even more complicated. MIC Group will therefore provide even more professional services to confront the challenges brought by the business environment. Upholding the spirit of "innovation", it is our 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 millionin December.
1989	Cooperated with US TPI Systems and introduced the hi-tech products as well as technologiesin February.
1991	Increased paid-in capital of NT$ 5million.
1994	Increased paid-in capital of NT$ 10 millionin June.
1995	Set up MIC's 1st semiconductor cleaning roomin June.
1995	Increased paid-in capital of NT$ 9 millionin March.
1997	Started oversea 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 oversea marketsin 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 Chinain December.
2001	Increased paid-in capital of NT$ 18 millionin January.
2001	MARKET GO PROFITS LTD. was established and in charge of oversea investment projectsin February. Acquired MARKETECH INTEGRATED PTE LTD.
2001	MIC-Tech (WuXi) Co., Ltd. was established and in charge of equipment manufacturing businessin 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 establishedin July.
2001	Tao Yuan bonded warehouse was established and operatedin 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 establishedin December.
2001	AcquiredShanghai 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 supervisorin May.

2002	Increased paid-in capital of NT$ 50 million and converted retained earningsof NT$ 157.027 million into paid-in capital in June.
2002	Officially listed on OTC Market in October.
2003	Issued MIC’s 1stdomestic 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 2nddomestic unsecured convertible bond of NT$ 580 millionin 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 supplierin 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 Septeber.
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 Sptember.
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 Financein 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

2.2 Merger and acquisition (up to date)：None

2.3 Invested entities (up to date)

Unit：In Thousand of New Taiwan Dollars; %

Invested Entity	Functions	December 31, 2016			March 31, 2017		
		Investment Amount	Shareholding Composition	Book Value	Amount of Original Investment	Shareholding Composition	Book Value
Market Go Profits Ltd.	Engaged in holding and reinvestment affairs	1,209,166	100.00%	1,104,837	1,209,166	100.00%	1,008,601
Marketech Integrated Pte. Ltd.	Engaged in automatic supply systems business in semiconductor industry	160,177	100.00%	(24,071)	160,177	100.00%	(32,742)
Headquarter International Ltd.	Engaged in holding and reinvestment affairs	42,475	100.00%	42,383	42,475	100.00%	39,731
Tiger United Finance Ltd.	Engaged in holding and reinvestment affairs	46,475	100.00%	40,897	46,475	100.00%	38,213
MIC-Tech Global Corp.	Engaged in international business	19,147	100.00%	10,910	19,147	100.00%	15,958
MIC-Tech Viet Nam Co., Ltd.	Engaged in selling lant equipments & supplies and providing, installation & maintenance service	39,345	100.00%	35,389	39,345	100.00%	32,285
Marketech Co. Ltd.	Engaged in engineering contractingand maintenance service	29,922	100.00%	9,778	29,922	100.00%	8,963
Marketech Engineering Pte. Ltd.	Engaged in mechanical and electrical installation and engineering business	10,129	100.00%	4,897	10,129	100.00%	4,592
Marketech Integrated Manufacturing Company Limited	Design, production and assembly of automated production machine, equipment and component	112,973	100.00%	98,860	163,709	100.00%	140,403
eZoom Information ,Inc.	Engaged in development, sales and consultancy of MIS software & hardware	57,737	100.00%	23,525	57,737	100.00%	21,718
Glory Technology Service Inc.	Engaged in sales and installation of telecom equipment	21,408	35.00%	33,463	21,408	35.00%	33,691
MIC Techno Co., Ltd.	Engaged in sales of panel equipment and material	2,000	20.00%	1,864	38,042	99.92%	36,403
PT Marketech International Indonesis	international trade on machinery and components.	38,042	99.92%	38,718	41,136	51.12%	19,823
Marketech International Sdn. Bhd.	Engaged in engineering contracting and maintenance service	43,217	51.12%	26,198	1,209,166	100.00%	1,008,601

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.

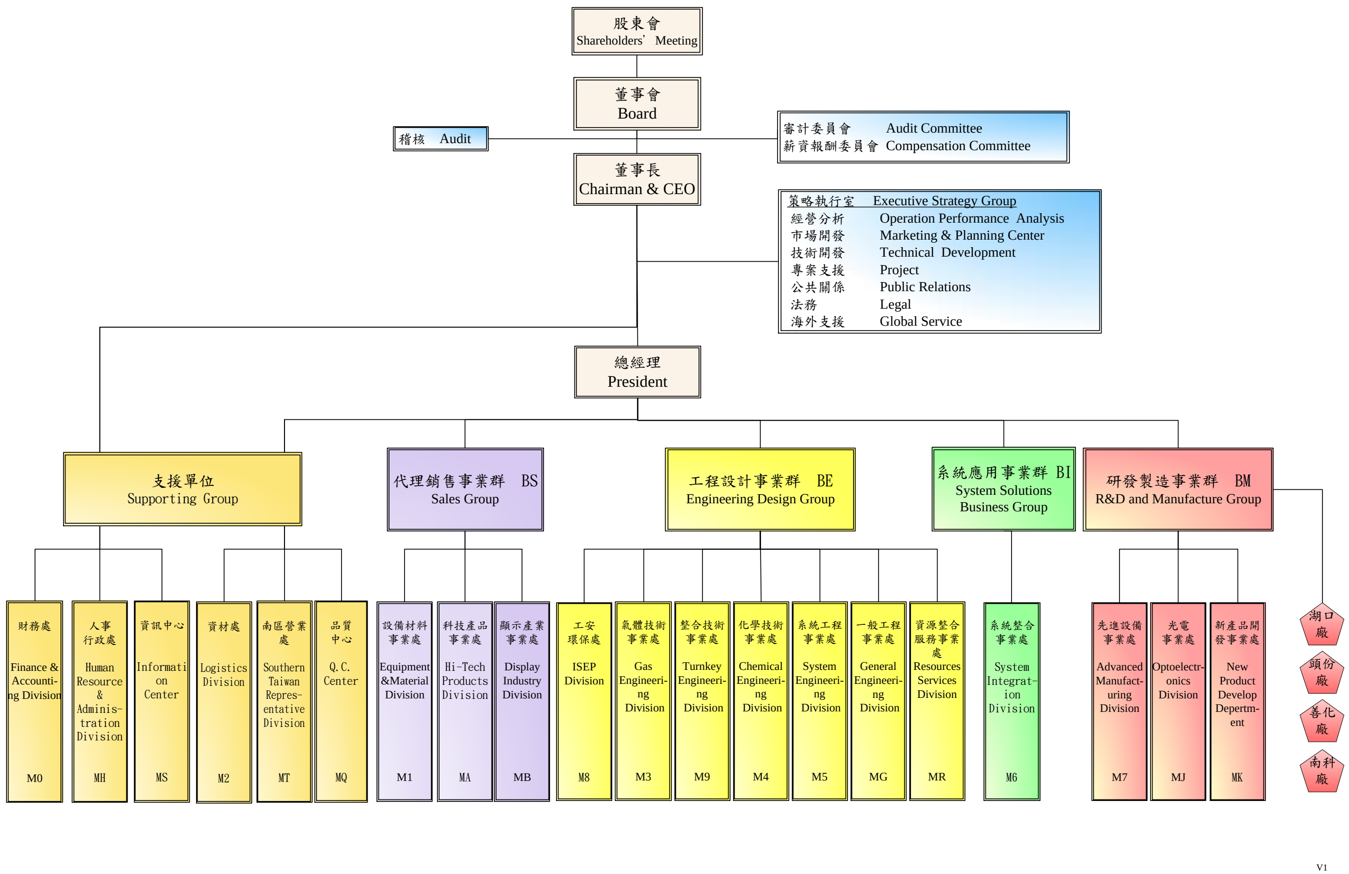
2.6 A huge change in management right, operation mode or business, and significant issues which affects the rights of shareholders and the company: none.

Part 3. Corporate Governance Report

1. Organization

1.1 Organization Chart

Marketech International Corp. Organization



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 andimproves 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 amongdivision.
Audit Office	Conducts inspection and evaluates internal controls withinvarious divisions. Assists subsidiaries with internal audit tasks. Evaluates the robustness of internal control systems andrelated policies. Determines whether the internal controlsystemscontinues to be effective, and assesses the progressmade by each department, while offering suggestions toimprove 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
Euipment & 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 gabinet (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; providesconstruction services for electromechanical engineeringprojects such as planning, design, supervision and turnkeysolutions. Constructs pumping station facilities, waste water treatment facilities, pumping station automation, air pollution control and other environmental protection facilities. Represents boiler and waste solvents. Providesinstallation 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 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

Division	Functions
	OHSAS 18001-compliant occupationalhealth and safety system. Improves environmental management within the company;implements an ISO 14001-compliant environmentalmanagement 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 Producs Division	Provides production and testing equipment, instruments, parts and materials for Semiconductor Back-end packaging and testing, and Light-Emitting Diod 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 andnetworks. Responsible for the development, maintenance and securitymanagement of various information systems and databases. Software access control, introductionand 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 ManufacturingDivision	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 DevelopmentDivision	Expanding and developing the category and quantity of testing facilities, production equipments, passive elements, LED, IC and other new products.

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)

March 28, 2017
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-holding ratio	Share count	Share-holding ratio	Share count	Share-holding ratio	Share count	Share-holding 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 *4,010,513	11.51% *2.43%	19,005,795 *4,010,513	11.08% *2.34%	0 *0	0.00% *0.00%	0 *0	0.00% *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 ,WT Microelectronics 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 *139,494	11.51% *0.08%	19,005,795 *139,494	11.08% *0.08%	0 *525,101	0.00% *0.31%	0 *0	0.00% *0.00%	Texas State University school of electrical engineering master Nanya Technology co president Wangeng Optoelectronics co chairman	Director, Marketech International 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 *10,327,782	7.66% *6.26%	12,647,112 *9,841,782	7.37% *5.74%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	Cheng Chi University business administration research institution master IFIR 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	Nil	Nil	Nil
Director	ROC	Ma,Kuo-Peng	M	105/05/31	3	90/10/22	0	0.00%	0	0.00%	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	19,005,795 *4,010,513	11.51% *2.43%	19,005,795 *4,010,513	11.08% *2.34%	0 *0	0.00% *0.00%	0 *0	0.00% *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. Supervisor, Probe Leader Independent Director, Zenitron Corp. Independent Director, Universal Vision Biotechnology	Nil	Nil	Nil
Director	ROC	Cheng Jin-Chuan	M	105/05/31	3	90/10/22	19,005,795 *139,494	11.51% *0.08%	19,005,795 *139,494	11.08% *0.08%	0 *525,101	0.00% *0.31%	0 *0	0.00% *0.00%	Dong Hai University school of Industrial Engineering B.A. Cheng Chi University business administration EMBA master study	Director, Marketech International Corp. Vice General Manager, Yonyu Consultant Corp. Independent Director, 3S Silicon Tech., Inc.	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 China Youth Startup Federation executive director Taiwan Electronics and Electrical Engineering Association standby director	Independent Director, Marketech International Corp Chairman, Protech Systems Co., Ltd. Director, Chenbro Micom Co., Ltd. Director, Aplex Technology Inc. Independent Director, Trade-Van Information Services, Co., Ltd. Director, CPC Corporation, Taiwan	Nil	Nil	Nil
Independent director	ROC	Lu Zong-Jenn	M	105/05/31	3	96/6/15	365,286	0.22%	365,286	0.21%	0	0.00%	0	0.00%	Chung Hsing University B.A. Chin Cho co president	Independent Director, Marketech International Corp Chairman, Kisso Co.,Ltd. Independent Director, Hotron Precision Electronic Industrial Co.,Ltd.	Nil	Nil	Nil
Supervisor (Retiring)	ROC	Ma,Kuo-Peng (Note 4)	M	Note 4)	Note 4)	Note 4)	0	0.00%	0	0.00%	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

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-holding ratio	Share count	Share-holding ratio	Share count	Share-holding ratio	Share count	Share-holding ratio			Title	Name	Relation
Supervisor (Retiring)	ROC	Hsiao, Ming-Chih (Note 4)	M	Note 4)	Note 4)	Note 4)	19,005,795 *4,010,513	11.51% *2.43%	19,005,795 *4,010,513	11.08% *2.34%	0 *0	0.00% *0.00%	0 *0	0.00% *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. Supervisor, Probe Leader Independent Director, Zenitron Corp. Independent Director, Universal Vision Biotechnology	Nil	Nil	Nil
Supervisor (Retiring)	ROC	Cheng Jin-Chuan (Note 4)	M	Note 4)	Note 4)	Note 4)	19,005,795 *139,494	11.51% *0.08%	19,005,795 *139,494	11.08% *0.08%	0 *525,101	0.00% *0.31%	0 *0	0.00% *0.00%	Dong Hai University school of Industrial Engineering B.A. Cheng Chi University business administration EMBA master study	Director, Marketech International Corp. Vice General Manager, Yonyu Consultant Corp. Independent Director, 3S Silicon Tech., Inc.	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.

Note 4: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. The original supervisors, Kuo-Peng Ma, Ming-Chih Hsiao, and Jin-Chuan Cheng stepped down on May 31, 2016 before they were re-elected to become members of the Board of Directors.

2.1.2 Major shareholders as institutions shareholders

Table I: Major shareholders as institutional shareholders

March 28, 2017

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

March 28, 2017

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)

March 28, 2017

Criteria / Name	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
Hsiao, Ming-Chih (Note 2)	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Cheng Jin-Chuan (Note 2)	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lin, Hsiao-Ming	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
Wu ,Chung-Pao	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lu ,Zong-Jenn	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

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, supervisorr to the company's affiliated enterprise (except where it if 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. The original supervisors, Kuo-Peng Ma, Ming-Chih Hsiao, and Jin-Chuan Cheng stepped down on May 31, 2016 before they were re-elected to become members of the Board of Directors.

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

March 28, 2017

Unit: NTD per thousand; share; %

Title (Note 1)	Nation-ality	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-holding ratio	Share count	Share-holding ratio	Share count	Share-holding ratio			Title	Name	Relation
Chairman and CEO	ROC	Sung Kao, Hsin-Ming	F	78/01/01	4,010,513	2.34%	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 diretor 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	9,841,782	5.74%	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	Nil	Nil	Nil
VP	ROC	Huang Zhong-wen	M	99/02/01	31,283	0.02%	0	0.00%	0	0.00%	Murray State University USA business administration research institute master Asia Word Hotel departmental superintendent	Nil	Nil	Nil	Nil
VP	ROC	Chang Ruei-ru	M	99/02/01	23,348	0.01%	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	Nil
VP	ROC	Chen Dian-ting (Note 3)	M	99/02/01	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	Chung Shan University mechanical engineering research institute master Institute for Industrial Research assistant engineer Ikeru Industrial Corp head engineer Metallurgy Industrial Research and Development Center asst engineer	Hua Shuan Technology co president	Nil	Nil	Nil
VP	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	Nil
VP	ROC	Chen Jian-tsuen	M	99/04/01	35,000	0.02%	0	0.00%	0	0.00%	Tamkang University school of applied physics B.A.	Nil	Nil	Nil	Nil
VP	ROC	Li Ruei-wen (Note 3)	M	106/02/01	8,000	0.00%	43,700	0.03%	0	0.00%	National Chiao Tung University Department of Communications Engineering B.A. Applied Materials Taiwan Quality Assuranc manager.	Nil	Nil	Nil	Nil
VP Finance	ROC	Hsieh Ming-ju	F	87/07/01	451,459	0.26%	0	0.00%	0	0.00%	Taipei Business College school of accounting and statistics B.A. Lung Pu Group financial specialist Cathay group adminisrator	Nil	Nil	Nil	Nil

Title (Note 1)	Nation-ality	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-holding ratio	Share count	Share-holding ratio	Share count	Share-holding ratio			Title	Name	Relation
Director, Finance & Accounting Divison	ROC	Zhong Chi-wen	F	95/04/21	43,973	0.03%	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	0	0.00%	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:Deputy General Manager, Mr. Dian-Ting Chen resigned on September 30, 2016, and Mr. Ruei-Wen Li was promoted to become the Deputy General Manager on February 1, 2017.

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.

3.1 The remunerations of the directors (including the independent directors)

Year 2016

Unit: NTD per thousand; shares

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

(1-2) The remunerations of the directors (including the independent directors)

(By means of consolidated tally as coordinated with scale by which to disclose the names)

Title	Name	Director remunerations								The ratio of the sum of the four items A, B, C and D to the after-tax net earnings(Note 10)		Pertinent remunerations doubling employees collect								The ratio of the sum of the seven items A, B, C, D, E, F and G to the after-tax net earnings (Note 10)		Whether collecting remunerations from reinvested entities beyond the subsidiaries (Note 11)
		Return (A) (Note 2)		Retirement pension (B)		Directors' Remuneration (C) (Note 3)		Business execution expenditure (D) (Note 4)				Wages, bonuses and special expensed expenditure etc. (E) (Note 5)		Retirement pensions (F)		Employees' Remuneration (G) (Note 6)						
		The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	The company	All companies in the financial statements (Note 7)	The company		All companies in the financial statements (Note 7)		The company	All companies in the financial statements (Note 7)	
																Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
Chairman and CEO and subsidiary president	Ji Shuan Investment co representative: Sung Kao, Hsin-Ming	0	0	0	0	6,669	6,669	537	537	1.40%	1.40%	18,700	20,432	168	168	3,600	0	3,600	0	5.76%	6.10%	None
Director	Ji Shuan Investment co representative: Chuang, Yen-Shan																					
Chairman President	Yi Wei Investment co representative: Lin, Yue-Yeh																					
Director	Ma ,Kuo-Peng																					
Director	Hsiao, Ming-Chih																					
Director	Cheng Jin-Chuan																					
Independent director	Lin, Hsiao-Ming																					
Independent director	Wu, Chung-Pao																					
Independent director	Lu, Zong-Jenn																					

* Other than above-mentioned changes, all the services provided recently in the company by the members of the Board of Directors in relation to the financial report such as holding the position as non-employee consultants have not incurred any additional remuneration.

Remunerations Scale Table

Year 2016

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$72,857 spanning from Jan. 1, 2016 to Apr. 24, 2016 and at NT$75,000 from Apr. 25, 2016 to Dec. 31 2016; President Lin Yu-Yeh is allocated with one leased company vehicle, which carries a monthly lease at NT$31,905 from Jan. 1, 2016 to Dec. 31 2016

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 2016 consolidated financial statement is NT$515,151 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

(2-2) The remunerations of the supervisors (by means of consolidated tally as coordinated with scale by which to disclose the names)

Year 2016

Unit: NTD per thousand; shares

Position	Name	Supervisors remunerations						The percentage of the sum of the three items A, B and C to the after-tax net return (Note 8)		Whether collecting remunerations from reinvested entities beyond the subsidiaries (Note 9)
		Remunerations (A) (Note 2)		Remunerations derived from earnings distribution (B) (Note 3)		Business execution expenditure (C) (Note 4)				
		The company	All companies stated in the financial statements (Note 5)	The company	All companies stated in thefinancial statements (Note 5)	The company	All companies stated in thefinancial statements (Note 5)	The company	All companies stated in thefinancial statements (Note 5)	
supervisors	Ma, Kuo-Peng	0	0	876	876	72	72	0.18%	0.18%	None
supervisors	Hsiao, Ming-Chih									
supervisors	Cheng, Jin-Chuan									

Remunerations Scale Table

Year 2016

The remunerations dispensed to various company supervisors by scale	Name of the supervisors	
	The total sum of the first three items of remunerations (A+B+C)	
	The company (Note 6)	All companies stated in the financial statements (Note 7) (D)
Up to $2,000,000	Ma, Kuo-Peng, Hsiao, Ming-Chih, Cheng, Jin-Chuan	Ma, Kuo-Peng, Hsiao, Ming-Chih, Cheng, Jin-Chuan
$2,000,000 (inclusive) ~ $5,000,000 (preclusive)	Nil	Nil
$5,000,000 (inclusive) ~ $10,000,000 (preclusive)	Nil	Nil
$10,000,000 (inclusive) ~ $15,000,000 (preclusive)	Nil	Nil
$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	3	3

* 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 auditors shall be enlisted separately (of institutional shareholders, the shareholder name and representative shall be enlisted separately), and various payout amounts disclosed in a consolidated manner.

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

Note 3: Which refers to the supervisors' remuneration distributed based on the approval of the board of directors.

Note 4: Which refers to pertinent business execution expenditures dispensed to the auditors in the most recent years (including the travel expenses, special dispensed expenditures, various subsidies, dormitory, car allocation and related tangible goods supply and the like). When allocating housing, car and other transportation means or as exclusive personal expenditures, it is mandated to disclose the nature of the assets allocated, and its cost, the act or fair market value actuated rent, fuel and other payouts. Also when allocating with a driver, please footnote explaining pertinent remunerations the company pays said driver, but excluding from the remunerations.

Note 5: It shall disclose the total sum of various remunerations all companies stated in the consolidated financial statements dispense to company auditors.

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

Note 7: It is mandated to disclose the total sum of various remuneration all companies (including the company) stated in the consolidated financial statements dispense each company auditor, and disclosing the name of the auditors that fall within 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 2014 begun to adopt the International Financial Statement Reporting Criteria so recognized by the Financial Supervisory Commission. The company's 2016 individual financial statements' after-tax net return is at NT$515,151 thousands.

Note 9 :a..The column shall precisely enter the amount of pertinent remunerations company auditors collect from reinvested entities beyond the subsidiaries.

b.When company auditors collect pertinent remunerations from reinvested entities beyond the subsidiaries, the remunerations company auditors collect from reinvested entities beyond the subsidiaries shall be merged into the remuneration scale table column D, 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 supervisors who employ as director, supervisor or manager in reinvested companies other than the subsidiaries.

Note 10：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. The original supervisors, Kuo-Peng Ma, Ming-Chih Hsiao, and Jin-Chuan Cheng stepped down on May 31, 2016 before they were re-elected to become members of the Board of Directors.

3.3 The remunerations of the president and the vice presidents

Year 2016

Unit: NTD per thousand; shares

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

(3-2) The remunerations of the president and vice presidents (by means of consolidated tally by scale by which to disclose the names)

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)		Employee share pledging certificate count obtained (Note 8)		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)	The company	All companies in the financial statements (Note 5)	
								Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount					
Chairman doubling as CEO, also as subsidiary president	Sung Kao, Hsin-Ming	44,765	47,813	898	898	3,203	3,203	7,470	0	7,470	0	10.94%	11.53%	44,765	47,813	None
Director doubling as president	Lin, Yue-Yeh															
VP	Huang Zhong-Wen															
VP	Chang Ruei-Ru															
VP	Chen Dian-Ting (Note 10)															
VP	Wei Jian-Ming															
VP	Chen Jian-Tsuen															
VP	Hsieh Ming-Ju															

Remuneration Scale Table

Year 2016

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)	Huang Zhong-wen, Chang Ruei-ru, Chen Dian-ting(Note 10), Hsieh Ming-ju	Huang Zhong-wen, Chang Ruei-ru, Chen Dian-ting(Note 10), Hsieh Ming-ju
$5,000,000 (inclusive) ~ $10,000,000 (preclusive)	Sung Kao, Hsin-Ming, Lin, Yue-Yeh, Wei Jian-ming, Chen Jian-tsuen	Sung Kao, Hsin-Ming, Lin, Yue-Yeh, Wei Jian-ming, Chen Jian-tsuen
$10,000,000 (inclusive) ~ $15,000,000 (preclusive)	Nil	Nil
$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$72,857 spanning from Jan. 1, 2016 to Apr 24, 2016 and at NT$75,000 form Apr 25, 2016 to Dec 31, 2016; President Lin Yu-Yeh is allocated with one leased company vehicle, which carries a monthly lease at NT$31,905 from Jan. 1, 2016 to Dec. 31 2016; Vice President Huang Zhong-Wen, Chang Ruei-Ru, Chen Dian-Ting, Wei Jian-ming and Chen Jian-Tsuen are allocated with one leased company vehicle, which carries an average monthly lease at NT$160,661 from Jan. 1, 2016 to Dec. 31, 2016.

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 2016 individual financial statements' after-tax net return is at NT$515,151 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：Deputy General Manager, Mr. Dian-Ting Chen resigned on September 30, 2016.

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

Year 2016
Unit: NTD per thousand; shares
(Except where the market value of each share is indicated in NTD)

	Position (Note 1 & Note 2)	Name (Note1 & Note 2)	Stock Amount	Cash Amount	Total	Percent of the total amount to the after-tax net return (%)
Managers	Chief executive officer	Sung Kao, Hsin-Ming	0	8,000	8,000	1.55%
	President	Lin, Yue-Yeh				
	Vice president	Huang Zhong-Wen				
	Vice president	Chang Ruei-Ru				
	Vice president	Chen Dian-Ting(Note 5)				
	Vice president	Wei Jian-Ming				
	Vice president	Chen Jian-Tsuen				
	Vice president, Finance	Hsieh Ming-Ju				
	Accounting Director	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:Deputy General Manager, Mr. Dian-Ting Chen resigned on September 30, 2016.

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

Item / Position	The percentage of the total remuneration amount to the after-tax return				Increase (decreased) percentage	
	Year 2015		Year 2016			
	The company	Consolidated statements on all companies	The company	Consolidated statements on all companies	The company	Consolidated statements on all companies
Directors	4.48%	4.87%	5.76%	6.10%	1.28%	1.23%
Supervisors	0.54%	0.53%	0.18%	0.18%	(0.36%)	(0.35%)
President and vice presidents	9.70%	10.39%	10.94%	11.53%	1.24%	1.14%

According to the Company's and consolidated financial statements in 2016, the percentage of the total remuneration paid to all companies' directors, supervisors, presidents and vice presidents in after-tax return has reduced comparing with 2015. The main reason is that the company's after-tax return has increased in 2016, which resulted in a reduced proportion of remuneration in after-tax return.

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 11 meetings of the board of directors were held in the previousyear (2016). The directors' attendance status is as follows:

①A tatal of 6 meetings of the 6th board of directors：

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairman	Ji Shuan Investment Co. Representative: Sung Kao, Hsin-Ming	6	0	100%	Re-elected on June 11, 2013
Director	Ji Shuan Investment Co. Representative: Chuang, Yen-Shan	6	0	100%	Re-elected on June 11, 2013
Director	Yi Wei Investment Co. Representative: Lin, Yue-Yeh	6	0	100%	Re-elected on June 11, 2013
Independent Director	Wu, Chung-Pao	5	1	83%	Re-elected on June 11, 2013
Independent Director	Lu, Zong-Jenn	6	0	100%	Re-elected on June 11, 2013

②A tatal of 6 meetings of the 6th board of directors：

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairman	Ji Shuan Investment Co. Representative: Sung Kao, Hsin-Ming	6	1	86%	Re-elected on May 31, 2016
Director	Ji Shuan Investment Co. Representative: Chuang, Yen-Shan	7	0	100%	Re-elected on May 31, 2016
Director	Yi Wei Investment Co. Representative: Lin, Yue-Yeh	6	1	86%	Re-elected on May 31, 2016
Director	Ma ,Kuo-Peng	7	0	100%	Re-elected on May 31, 2016
Director	Hsiao, Ming-Chih	6	1	86%	Re-elected on May 31, 2016
Director	Cheng Jin-Chuan	7	0	100%	Re-elected on May 31, 2016
Independent Director	Wu, Chung-Pao	7	0	100%	Re-elected on May 31, 2016
Independent Director	Lu, Zong-Jenn	5	1	71%	Re-elected on May 31, 2016
Independent Director	Lin, Hsiao-Ming	6	1	86%	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 first of Febrey 2016, 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 appointment of the members of Compensation Committee at the board meeting on 8th June 2016, two directors – Mr. Wu, Chung-Pao and Mr. Lu, Zong-Jenn – did not join the

voting to avoid conflict of interest. All of other directors have joined the meeting and passed the said proposals.

(2.3) Regarding the discussion of Compensation Committee's proposal for "Mid-Term Bonus Distribution of 2015" held by the Board of Directors on the 12th of September 2016, 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	Wu, Chung-Pao	7	100%	Re-elected on 31 May 2016
Independent Director	Lu, Zong-Jenn	6	86%	Re-elected on 31 May 2016
Independent Director	Lin, Hsiao-Ming	7	100%	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.
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.

4.2.2. Attendance of Supervisors for Board Meeting

A total of 6 meetings of the board of directors were held in the previous year (2016). The supervisors' attendance status is as follows:

Title	Name	Attendance in Person （B）	Attendance Rate in Person (%) （B/A）(Note)	Remarks
Supervisor	MA, Kuo-Peng	6	100%	Re-elected on June 11, 2013
Supervis r	Cheng, Jin-Chuan	6	100%	Elected on June 11, 2013
Supervisor	Hsiao, Ming-Chih	6	100%	Re-elected on June 11, 2013

Other matters to be disclosed：

1. Composition and responsibilities of supervisors:

(1.1) Communications between supervisors and the Company's employees and shareholders (e.g. the communication channels and methods, etc.):

The Company publishes supervisors' information in its annual report, allowing report readers to raise suggestions and communicate with supervisors. Supervisors are also able to maintain communications with various business functions of the company during their regular review of internal audit reports.

(1.2) Communications between supervisors 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.):

Supervisors 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 supervisors on the functioning of internal controls, which provides supervisors with sufficient overview of the Company's operations.

2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of meetings, sessions, contents of motions, resolutions of the directors' meetings and the Company's response to supervisor's opinion should be specified: None.

* 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.
* 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.

*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 (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 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. (2) The Company has designated a responsible person of Finance & Accounting Division to handle information collection and disclosure and has appointed a spokesperson.	None
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

purchasing insurance for directors):			(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.	
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. The governance assessment of the Company for the most recent year showed that the Company was listed as top 50%, and for the items which did not reach the assessment index, the Company has gradually improved as follows: 1.The annual report produced at the shareholders’ meetings in 2016 has already included the implementation of resolutionsin the previous year. 2.No extempore motions were raised in the shareholders’ meetings in 2016. 3.After the re-election of directors in 2016, an audit committee was established in accordance with Articles of Incorporation. 4.The independence assessment of external accountants has been put in details in the annual report. 5.Executive Strategy Office has been commissioned to facilitate corporate integrity, which has been included in the annual report.				

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. 2, 2015

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	Lu, Zong-Jenn (Note 4)	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

In 2016, Compensation Committee held 1meetings(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	1	0	100%	Re-elected on June 20, 2013
Member	LU, ZONG-JENN	1	0	100%	Elected on Mar 19, 2014
Member	CHAO, RONG-SHIANG	1	0	100%	Re-elected on June 20, 2013

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.

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

In 2016, Compensation Committee held 2meetings(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	
1. Implementation of Corporate Governance				None
(1) Corporate social responsibility policy and performance evaluation	V		(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.	
(2) Regular training and promotion of corporate ethics	V		(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.	
(3) Dedicated organization for the promotion and execution of corporate social responsibility	V		(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.	
(4) Integration of corporate social responsibility with the employee performance appraisal system	V		(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. In 2014, 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.	
2. Sustainable Environment Development				None
(1) Commitment to improving resources utilization and the use of renewable materials	V		(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.	
(2) Environmental management system designed to industry characteristics	V		(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.	
(3) Company strategy for climate change, energy conservation and greenhouse gas reduction	V		(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	

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
			monitor power consumption facilities to reduce impacts caused by its operations to the natural environment. Based on relevant regulations promulgated by the Environmental Protection Administration every year, the company conducts an internal inspection on its greenhouse gas and the results of self-inspection comply with the standard value regulated by the competent authority. There is no need to have relevant information registered in the information platform designated by the competent authority. However, the Company has summarized its historical inspection results for back up.	
3. Promotion of social welfare (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.	None
(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 coursed.	
(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.	

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
(7) Compliance with products and services marketing and labeling regulations and international standards (8) Evaluation of suppliers (9) Actions taken when major suppliers violate corporate social responsibility policy	V V 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) 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 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.	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.	None

Item	Implementation Status			Deviation from "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
(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 potential unethical conduct in the relevant policies.	V V		(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 unethical conduct, promotion on ethics is addressed to employees and related persons. Any delivery of gifts has to be cautiously evaluated and approved.	
2. Corporate Conduct and Ethics Compliance Practice (1) The company shall prevent doing business with whomever has unethical records and include business conduct and ethics related clauses in the business contracts. (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. (3) The company establishes policies to prevent conflicts of interest and provides appropriate communication and complaint channels. (4) The company establishes effective accounting and internal control systems for the implementation of policies, and the internal auditors audit such execution and compliance. (5) Internal and external training programs on corporate conduct and ethics	V V V V V		(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. (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. (3) Directors must rescue themselves from discussion and voting on issues in which they have a direct personal or pecuniary interest. (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. (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.	None
3. Operational Status of Reporting Mechanism				None

Item	Implementation Status			Deviation from "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
(1) The company establishes reporting and reward system as well as convenient reporting channels and designates an appropriate person in charge (2) The standard of procedure for processing ethical irregularities reporting and the confidentiality (3) Measures to protect reporters	V V V		(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. (2) In order to solve problems at work, communicate and improve efficiency, a mail box 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

Marketech International Corp.
Internal Control Statement

Date: February 20th, 2017

Based on the results of examination from the 2016 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 2016 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 20th, 2017 with the presence of 9 directors without any objection. The rest also agreed with the content of the statement.

Marketech 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
31 May 2016	1. Ratified 2015 Business Report and Financial Statements. Implementation status: Per resolution approved by the shareholders' meeting in 2016. 2. Ratified 2015 Profits Distribution. Implementation status: Per resolution approved by the shareholders' meeting in 2016. Cash dividends were distributed against NTD 2 per share on 22 August 2016. 3. Approved the amendment of the "Articles of Incorporation". Implementation status: Per resolution approved by the shareholders' meeting in 2016. All relevant issues were executed in accordance with the amended Articles. 4. Approved election of directors. Implementation status: Per resolution approved by the shareholders' re-election meeting in 2016. New directors took office. 5. Approved the removal of non-compete clause of new directors. Implementation status: Per resolution approved by the shareholders' meeting in 2016.

4.11.2. Important Resolutions at Board of Directors' Meeting

Date	Resolutions
Feb 1 2016	1. Approved the resolution of Compensation Committee on 2015 manager performance bonus appointment. 2. Approved bank credit guarantee to the Company's subsidiaries MIC-TECH (Shanghai) Corp. Ltd. and MIC-TECH Electronics Engineering Corp. 3. Approved the amendment of internal control system of the Company.
Feb 22 2016	1. Approved the Company's 2015 Individual Financial Statement and Consolidated Financial Statement. 2. Approved the Company's 2015 Business Report 3. Approved the amendment of the "Articles of Incorporation" of the Company. 4. Approved rules of procedure for meetings of its board of directors. 5. Approved the distribution of remuneration for employees, directors and supervisors in 2015. 6. Approved the Company's 2015 profit distribution. 7. Approved the Company's reelection of directors. 8. Approved amendments to the Company's 2016 period of reelection and nomination of directors and independent directors. 9. Approved the Company's 2016 nominations for directors and independent directors. 10. Approved revocation of the Company's prohibition of non-compete for new directors. 11. Approved the Company's 2015 internal control statements. 12. Approved the date, location and matters of holding the Company's 2016 shareholders' meetings. 13. Approved the 2016 independence review of the Company's certified accountants and their belonging joint CPA.
Mar 24 2016	1. Approved the amendment of the "Articles of Incorporation" of the Company. 2. Approved the Company's 2016 nominations of independent directors. 3. Approved the Company's lending of capital to its subsidiary Marketech International Sdn. Bhd.
Apr 15 2016	1. Approved the nominations review of directors and independent directors for 2016. 2. Approved the application of establishing Central Taiwan Representative Division for business development.
May 04 2016	1. Approved the guarantee to Malaysian company, Special Triumph for engineering contract.
May 27 2016	1.Approved bank credit guarantee to the Company's subsidiaries, MIC-Tech ShangHai Corp. Ltd., MIC-Tech Electronics Engineering Corp. and MIC-Tech (WuXi) Co., Ltd
May 31 2016	1. Approved the election of the chairman of the Company.
Jun 08 2016	1. Approved dividend entitlement record date for cash dividend. 2. Approved the members designation of the remuneration committee.

Date	Resolutions
	3. Approved the issuance of the 3rd domestic unsecured convertible bond of NT$ 500 million. 4. Approved the bank credit of the Company. 5. Approved the amendment of the guaranteed amount and period to SpecialTriumph.
Jul 04 2016	1. Approved bank guarantee to the Company's subsidiary MIC-Tech (WuXi) Co., Ltd. 2. Approved bank guarantee to the Company's subsidiaries MIC-TECH Electronics Engineering Corp. and MIC-TECH (Shanghai) Corp. Ltd. 3. Approved the guaranteed project to MIC-TECH Electronics Engineering Corp. and MIC-TECH (Shanghai) Corp. Ltd.
Aug 08 2016	1. Approved the Company to be the guarantor for Marketech Integrated Pte. Ltd. and Mao Hua Electronics to sell the products of Japan Pionics Co., Ltd. 2. Approved the guaranteed project to Marketech Integrated Pte. Ltd. 3. Approved bank guarantee to the Company's subsidiaries MIC-TECH Electronics Engineering Corp. and MIC-TECH (Shanghai) Corp. Ltd. 4. Approved the application of establishing Central Taiwan Representative Division for business development. 5. Approved the auditor general to be Lin, Ya-Qing.
Sep 12 2016	1. Approved the Managers' Mid-Term Bonus Distribution for 2016. 2. Approved the investment of US$ 1,200,000 in the Company's subsidiaryin Indonesia. 3. Approved the Company's lending of capital to its subsidiary Marketech International Sdn. Bhd.
Nov 03 2016	1. Approved bank guarantee to the Company's subsidiary MIC-TECH (Shanghai) Corp. Ltd. 2. Approved the bank credit of the Company. 3. Approved application of opening a bank account at United Overseas Bank Taipei. 4. Approved the updated registration address of Central Taiwan Representative Division of the Company. 5. Approved the investment of US$ 2,000,000 in Nanjing, China.
Dec 06 2016	1. Approved the Company's 2017 Audit Plan. 2. Approved bank credit guarantee to the Company's subsidiaries MIC-Tech ShangHai Corp. Ltd. and MIC-Tech Electronics Engineering Corp. 3. Approved the Company's project contract guarantee to MIC-Tech Electronics Engineering Corp.
Jan 04 2017	1. Approved the investment of US$ 3,000,000 in Nanjing, China.
Jan 11 2017	1. Approved the resolution of Compensation Committee on 2016 manager performance bonus appointment. 2. Approved the promotion of Lee, Jui-Wen to be the vice general manager. 3. Approved the Company's project contract guarantee to MIC-Tech Electronics Engineering Corp. and MIC-Tech ShangHai Corp. Ltd.
Feb 20 2017	1. Approved the Company's 2016 Individual Financial Statement and Consolidated Financial Statement. 2. Approved the Company's 2016 Business Report 3. Approved the distribution of remuneration for employees, directors and supervisors in 2016. 4. Approved the Company's 2016 profit distribution. 5. Approved the declamation of internal control of the Company for 2016. 6. Approved the 2017 independence review of the Company's certified accountants and their belonging joint CPA. 7. Approved the amendments of Corporate Endorsement Procedure, Operational Procedures for Loaning Funds to Others and the Acquisition and Disposal of Asset. 8. Approved the amendments of Information Disclosure and Insider Trading Prevention Procedure, Corporate Governance Practical Rules, Corporate Ethics Codes, Ethical Corporate Management Principle, Operating Procedures for Application, Suspension and Restoration of Transactions, Related Party Transaction Rules and Regulations of Remuneration Committee. 9. Approved the amendments of the internal control system, internal review enforcement rules and internal self-assessment rules of the Company. 10. Approved the date, place and the cause of 2017 shareholders' annual meeting. 11. Approved the Companys lending of capital to its subsidiary Marketech International Sdn. Bhd. 12. Approved the increase of investment in the subsidiary Marketech Integrated Manufacturing Co, Ltd. in Burma. 13. Approved bank guarantee to the Company's subsidiaries, MIC-Tech (WuXi) Co., Ltd., Marketech Integrated Pte Ltd., MIC-Tech ShangHai Corp. Ltd. and MIC-Tech Electronics Engineering Corp. for amount of financing. 14. Approved the budget and consolidated budge report of the Company for2017.
Mar 31 2017	1. The case, in which accountants Shu-Qiong Zhang and Shi-Rong Weng from PwC Taiwan are authorized to conduct financial report audits for the Company, has been approved. 2. Approved the 2017 independence review of the Company's certified accountants and their belonging joint CPA.

Date	Resolutions
Apr 12 2017	1. Approved the Company's issued shares were exercised to convert unsecured convertible bonds into issued common stocks within our country for the third time, has been approved. 2. Approved the Company will increase the investment on Marketech Integrated Pte. Ltd., has been approved. 3. Approved the Company will increase the investment on Integrated Manufacturing & Services Co., Ltd, has been approved.

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	Lin, Jun-yao	Zhang Shuqiong	Jan. 1, 2015 – Dec. 31, 2015	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	150	150
2	2,000 (included) ～4,000	0	0	0
3	4,000 (included)～6,000	0	0	0
4	6,000 (included)～8,000	6,157	0	6,157
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.

Note 2:Non-audit Fee refers to the payment to auditors for Third Onshore Unsecured Convertible Bond.

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

<table>
<tr><td>Date of change</td><td colspan="3">March 31, 2017</td></tr>
<tr><td>Reason of the change and description</td><td colspan="3">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.</td></tr>
<tr><td rowspan="3">Description of the termination or non-appointment of the entrustee or accountant</td><td>Party
Situation</td><td>Accountant</td><td>Appointed to</td></tr>
<tr><td>Active termination of appointment</td><td colspan="2" rowspan="2">Not avaliable</td></tr>
<tr><td>No further appointment is accepted (continued)</td></tr>
<tr><td>Reason and opinion of approved audit report without further opinion of the latest two years</td><td colspan="3">Not avaliable</td></tr>
<tr><td rowspan="6">Disagreement with the publisher</td><td rowspan="4">YES</td><td></td><td>Accounting principles or practices</td></tr>
<tr><td></td><td>Disclosure of financial report</td></tr>
<tr><td></td><td>Audit scope or procedure</td></tr>
<tr><td></td><td>Other</td></tr>
<tr><td>None</td><td colspan="2">V</td></tr>
<tr><td>Description</td><td colspan="2">Not avaliable</td></tr>
<tr><td>Other disclosure
(The discloser shall be included based on Article 10.5(4) of the Guideline</td><td colspan="3">None</td></tr>
</table>

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 avaliable
Written opinions of the successor-accountant against the previous accountant.	Not avaliable

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	2016		Till March 31, 2017	
		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	0	0	0	0
Independent director	Lin, Hsiao-Ming	0	0	0	0
Director	Ma, Guo-peng	0	0	(108,000)	0
Director	Hsiao, Min-chih	0	0	0	0
Director	Cheng, Chin-chuan	0	0	0	0
Chairman and Chief Executive Officer	Kao,Hsiu-Ming	0	0	0	0
General Manager	Lin, Yue-yeh	(342,000)	(1,670,000)	(171,000)	0
Vice General Manager	Huang, Zhong-wen	0	0	0	0
Vice General Manager	Chang Ruei-Ru	(9,000)	0	0	0
Vice General Manager	Chen Dian-Ting (Note 3)	(70,588)	0	0	0
Vice General Manager	Wei Jian-Ming	0	0	0	0
Vice General Manager	Chen Jian-Tsuen	0	0	0	0
Vice General Manager	Li Ruei-wen (Note 3)	0	0	0	0
Vice General Manager and Financial Supervisor	Hsieh, Ming-Ju	0	0	0	0
Accounting Supervisor	Zhong, Chi-wen	0	0	0	0

Note 1: Shareholderswith 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: 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. The original supervisors, Kuo-Peng Ma, Ming-Chih Hsiao, and Jin-Chuan Cheng stepped down on May 31, 2016 before they were re-elected to become members of the Board of Directors.

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 pr a relative within the second degree of kinship of another

March 28, 2017

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	11.08% *2.34%	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 *9,841,782	7.37% *5.74%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	None	None	None
Lin, Yu-yeh	9,841,782	5.74%	0	0.00%	0	0.00%	Yi Wei Investment Company	Person in charge of the company	None
Lin, Yu-Yao	4,640,515	2.71%	0	0.00%	0	0.00%	Lin, Yu-yeh	Brothers	None
Kao,Hsiu-Ming	4,010,513	2.34%	0	0.00%	0	0.00%	Ji Shuang Investment Companu	Person in charge of the company	None
Director of Ji Chang Investmen t Company: Song, Bing-Zhong	2,798,955 *1,461,349	1.63% *0.85%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	Kao,Hsiu-Ming	Mother-and-son relationship	None
Standard Chartered Bank's Operation Department has been entrusted by LGT Bank (Singapore) Ltd. to manage its investment account.	2,666,000	1.55%	0	0.00%	0	0.00%	None	None	None
Standard Chartered Bank's Business Department has been entrusted by Credit Suisse Securities (Europe) Ltd. to manage its Renaissance long-term sales investment account.	2,464,000	1.44%	0	0.00%	0	0.00%	None	None	None
Ya Tai Investment Company Yang,Yi-Shun	2,318,910	1.35%	0	0.00%	0	0.00%	None	None	None
Huang, Shi-fong	19,005,795 *4,010,513	11.08% *2.34%	0 *0	0.00% *0.00%	0 *0	0.00% *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, 2016
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.	37,169,104	100.00%	0	0.00%	37,169,104	100.00%
Marketech Integrated Pte Ltd.	6,725,040	100.00%	0	0.00%	6,725,040	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 Maufacturing Company Limited	360,000	100.00%	0	0.00%	360,000	100.00%
eZoom Information, Inc.	6,200,000	100.00%	0	0.00%	6,200,000	100.00%
Glory Technology Service Inc.	2,800,000	35.00%	0	0.00%	2,800,000	35.00%
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%	37,066,604	100.00%	37,066,604	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%
Russky H.K. Limited	0	0.00%	633,000	100.00%	633,000	100.00%
Shanghai Puritic Co., Ltd	0	0.00%	0	80.00%	0	80.00%
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%	3,000,000	100.00%	3,000,000	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:

Mar 28, 2017
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	Stock offset by assets other than cash	Others
Apr., 2014	10	250,000,000	2,500,000,000	165,069,756	1,650,697,560	shares changed from the equity for employee's dividends:130,000	N/A	Note 1
Apr., 2017	10	250,000,000	2,500,000,000	171,501,866	1,715,018,660	shares changed from the equity for Corporate Bond:6,432,110	N/A	Note 2

Note 1: Jin-Sho-Shang-Zi No. 10301068080 letter issued on April 17, 2014
Note 2: Jin-Sho-Shang-Zi No. 10601051300 letter issued on April 21, 2017

Mar 28, 2017
Unit: shares

Share type	Rated capital for shares					Note
	Issued shares (note)			Unissued shares	Total	
	Listed (note)	OTC (counter)	Total			
Registered ordinary shares	171,501,866	0	171,501,866	78,498,134	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 Mar 28, 2017
Unit: shar; person; %

Structure of shareholders / Number	Government agency	Financial constitutions	Other juristic person	Individual	Foreign constitution and foreigner	Total
Number (person)	0	1	62	11,518	66	11,647
Number (share)	0	560,000	43,905,039	105,875,702	21,161,125	171,501,866
Ration of shareholding (%)	0.00%	0.33%	25.60%	61.73%	12.34%	100.00%

1.3 Allocation of shares

For ordinary shares, the price of each share is 10 dollars Mar 28, 2017
Unit: shar; person; %

Shareholding level	Shareholder (persons)	Number (shares)	Shareholding ration (%)
1 to 999	1,782	472,402	0.28%
1,000 to 5,000	7,312	15,886,314	9.26%
5,001 to 10,000	1,349	11,070,810	6.46%
10,001 to 15,000	316	4,042,332	2.36%
15,001 to 20,000	238	4,434,762	2.59%
20,001 to 30,000	204	5,355,494	3.12%
30,001 to 40,000	96	3,484,614	2.03%
40,001 to 50,000	87	4,083,128	2.38%
50,001 to 100,000	123	8,876,804	5.18%
100,001 to 200,000	63	9,214,411	5.37%
200,001 to 400,000	26	7,314,952	4.27%
400,001 to 600,000	18	8,741,527	5.10%
600,001 to 800,000	8	5,473,722	3.19%
800,001 to 1,000,000	4	3,598,854	2.10%
Above1,000,001	21	79,451,740	46.31%
Total	11,647	171,501,866	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:

Mar 28, 2017

Names of major shareholders \ Shares	Share held (shares)	Shareholding ratio (%)
Ji Shuang Investment Company	19,005,795	11.08%
Yi Wei Investment Company	12,647,112	7.37%
Lin, Yu-yeh	9,841,782	5.74%
Lin, Yu-Yao	4,640,515	2.71%
Kao,Hsiu-Ming	4,010,513	2.34%
Ji Chang Investment Company	2,798,955	1.63%
Standard Chartered Bank's Operation Department has been entrusted by LGT Bank (Singapore) Ltd. to manage its investment account.	2,666,000	1.55%
Standard Chartered Bank's Business Department has been entrusted by Credit Suisse Securities (Europe) Ltd. to manage its Renaissance long-term sales investment account.	2,464,000	1.44%
Ya Tai Investment Company	2,400,000	1.40%
Huang, Shi-fong	2,318,910	1.35%

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

Unit：NT$；thousand shares；%

Item			2015	2016	Jan 1 to Mar 31, 2017
Market Price per Share(Note 1)	Highest Market Price(Note 1)		31.65	31.30	39.60
	Lowest Market Price(Note 1)		14.80	20.80	28.20
	Average Market Price(Note 1)		23.86	26.74	32.78
Net Worth per Share(Note 2)	Before Distribution		27.02	27.91	Not Applicable
	After Distribution(Note 2)		25.02(Note 2)	25.71(Note 2)	Not Applicable
Earnings per Share	Weighted Average Shares		165,070	165,070	167,166
	Earning (loss) per share (before the retroactive adjustment)(Note 3)		2.78	3.12	0.93
	Earning (loss) per share (after the retroactive adjustment) (Note 3)		2.78	3.12	Not Applicable
Dividends per Share	Cash Dividends		2.00	2.20(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)		8.58	8.57	Not Applicable
	Price - Dividend Ratio(Note 6)		11.93	12.15(Note 2)	Not Applicable
	Cash Dividend Yield Rate(Note 7)		8.38	8.23(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; 2016 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 shareof 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 2017 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

In TWD dollar

Subject	Amount
Profit to be appointed	$ 1,166,591,302
Increment：adjusted reserve profit of 2016(Note 1)	(13,787,236)
After adjusting	1,152,804,066
Increment：2016 profit after tax	515,150,973
Deduction：Legal reserve	(51,515,097)
Profit to be appointed-total	1,616,439,942
Item：(Note2)	
Shareholder dividend－Cash 2.20/per share	(363,153,463)
Profit reserved	$ 1,253,286,479

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 2016 and then transferred into retained earnings, NTD 13,259,112. Besides, subsidiaries and associated corporation which were assessed with equity method and a reduction of reserved profit from joint share adjustment, NTD 528,124.

Note 2: The distributed profit was generated mainly in 2016 as the priority.

Note 3: Regarding the dividend distribution rate set in profit distribution proposal, if the Company issue the 3rd domestic unsecured convertible bond to convert to general shares, and the number of ordinary shares outstanding may be affected because of employee stock option certificates used by employees, which caused a change in the rate of share distribution to shareholders, board of directors shall be fully authorized by the shareholders' meeting to adjust it.

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 2017 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 2016 Employees' Compensation and Directors and Supervisors' Remuneration were estimated based on the pre-tax net profit of the year (employees' compensation was estimated with around 10%, whereas directors' remuneration was estimated with around 1%). 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 2016 Employees' Compensation and Directors and Supervisors' Remuneration, Board of Director already approved the proposal in the meeting held on February 20 of 2017, where NT$75,452,319 will be distributed to employees as compensation and NT$7,545,232 will be distributed to directors and supervisors as remuneration.

Unit: dollars

Subject	Amount to be appointed
Employees' Compensation-Cash dividends	75,452,319
Employees' Compensation-Stock dividends	0
Director and supervisor compensation	7,545,232

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

The 2016 estimated dividends are 75,452,319 dollars and the director compensation is 7,545,232 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 2016			
	The appointed amount	Estimated amount	Difference	Cause
Status				
1.Cash dividends				
2.Stock dividends	40,000,000	40,000,000	0	0
(1)Stock				
(2)Cash	0	0	0	0
3.Compensation	0	0	0	0
for directors	6,197,149	6,197,149	0	0

1.9 Buy-back: None

2. Bonds:

(一) Outstanding Corporate Bond

<table>
<tr><th colspan="2">Types of Corporate Bond (Note 2)</th><th>Third Onshore Unsecured Convertible Bond (Note 5)</th></tr>
<tr><td colspan="2">Issue Date</td><td>August 22, 2016</td></tr>
<tr><td colspan="2">Denomination</td><td>NT$100,000 each</td></tr>
<tr><td colspan="2">Issuance & Trading Location (Note 3)</td><td>Not Application</td></tr>
<tr><td colspan="2">Issue Price</td><td>Issue according to the full amount of the denomination</td></tr>
<tr><td colspan="2">Total Amount</td><td>NT$500 million</td></tr>
<tr><td colspan="2">Interest Rate</td><td>0% Annually</td></tr>
<tr><td colspan="2">Maturation Date</td><td>Three Years, Maturation on August 22, 2019</td></tr>
<tr><td colspan="2">Guarantee Institution</td><td>None</td></tr>
<tr><td colspan="2">Trustee</td><td>Fubon Bank's Trust Department</td></tr>
<tr><td colspan="2">Underwriter</td><td>Fubon Securities Co., Ltd.</td></tr>
<tr><td colspan="2">Bond Lawyer</td><td>Yang-Yi Cheng</td></tr>
<tr><td colspan="2">Bond Accountant</td><td>Lin, Chun-Yao & Chang, Shu-Chiung</td></tr>
<tr><td colspan="2">Repayment Method</td><td>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.</td></tr>
<tr><td colspan="2">Outstanding Principal Amount</td><td>NT$319,900,000</td></tr>
<tr><td colspan="2">Redemption or Advance Repayment Clause</td><td>Please refer to the issue and conversion method of our company's third onshore unsecured corporate bond for 2016.</td></tr>
<tr><td colspan="2">Restriction Clauses (Note 4)</td><td>Please refer to issue and conversion method.</td></tr>
<tr><td colspan="2">Credit Rating Agency Name, Rating date, Rating Outcome</td><td>Not Applicable</td></tr>
<tr><td rowspan="2">Other Attached Rights</td><td>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.</td><td>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$180,100,000.</td></tr>
<tr><td>Issue & Conversion (Exchange or Buyback) Method</td><td>Please refer to the issue and conversion method of our company's third onshore unsecured corporate bond for 2016.</td></tr>
<tr><td colspan="2">Issue and conversion, exchange or buyback methods, issue conditions that may dilute equity and affect the present shareholders' equity.</td><td>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 11,425,000 shares with a capital inflation rate of 6.66%, which would have limited influence on shareholders' equity.</td></tr>
<tr><td colspan="2">Entrusted Institution of the Convertible Bonds</td><td>Not Applicable</td></tr>
</table>

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 2016	From the beginning of 2016 till March 31, 2016 (Note 4)
Market Price of Convertible Corporate Bond (Note 2)	Maximum	111.00	138.90
	Minimum	100.00	109.00
	Average	105.84	119.70
Conversion Price		28.00	28.00
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)	1st 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 (%)	2.3966%(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	0 shares
Amount of subscribed shares	NT$0
Number of non-subscribed shares	3,956,000 shares
The subscription price of each share for people have not yet subscribed the share.	NT$18.20
Percentage of non-subscribed shares to total issued shares (%)(%)	2.3067%(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 hAAAandling 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 2017) , which is 171,501,866 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 2017), 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 sharess.

March 31, 2017

	Job Title (Note 1)	Name	Number of share subscription with subscription (thousand shares)	Percentage of share subscription 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	Vice General Manager	Chen Chien-Tun	440	0.26%	0	18.20	0	0.00%	440	18.20	8,008	0.26%
	Vice General Manager	Huang Tsung-Wen										
	Vice General Manager	Chang Jui-Ju										
	Vice General Manager	Chen Tien-Ting (Note 7)										
	Vice General Manager	Li Ruei-wen (Note 3)										
	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	610	0.36%	0	18.20	0	0.00%	610	18.20	11,102	0.36%
		Hou Fu-Chia										
		Lu Chien-Kuo										
		Lo Ssu-Yuan										
		Hsu Ta-Chang										
		Chen Kuo-Ching										
		Lin Chih-Jen										
		Li Chi-Ming										
		Lin Tzu-Min										
		Yang Yuan-Chih										

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 employeesrefer 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 2017) , which is 171,501,866 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：Deputy General Manager, Mr. Dian-Ting Chen resigned on September 30, 2016, and Mr. Ruei-Wen Li was promoted to become the Deputy General Manager on February 1, 2017.

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

In NT$1,000 or %

Year / Product or service cat.	2015		2016	
	Business incomes	Business %	Business incomes	Business %
Sales and service ofhigh-tech equipment and material	4,762,693	26.41	5,139,244	27.55
Automatic Supplying system	4,191,460	23.25	4,054,259	21.74
Total Facility Engineering Turnkey Project	5,045,118	27.98	4,530,809	24.29
R &D and manufacturing of customized equipment	4,032,353	22.36	4,926,629	26.42
Total	18,031,624	100.00	18,650,941	100.00

Note: Disclosed based on the consolidated reports of 2015 and 2016 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
- Wafer Sorter
- Wafer Packer
- Macroscopic and microscopic examiners
- IC coplanarity examiner
- Defoaming mixer
- Coplanarity tester (stamp-sized flash memory card)
- Final Vision Inspection

(1.4) LCD and color filter processes

- Dry etching system
- Laser cutting tools for glass
- 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
- CELL materials: glass cleaning bands, glass cutting wheels
- LCM materials: inductors
- FPCB materials: PI materials
- Thinning materials: sealants, cleaning agent
- Touch screen materials: OCR, Hard coat materials
- OLED materials: materials for luminescent layer, electron hole layer and electron layer, and metal mask cleaning agent

(1.5) GaAs process for LEDs

- EPI-Wafers
- Substrates
- Organic metal materials
- Green SiC abrasive powder (GC)
- B_4C abrasive powder
- Abrasive pads
- Abrasive slurry
- Photoresist)
- Sapphire wafer material: Al_2O_3
- X-ray diffraction (XRD) for sapphire wafers and substrates
- Sapphire substrate polishing and abrasion equipment (CMP)
- Sapphire substrate flatness measurement
- Dicing Saw and Lapping
- Al_2O_3 blocks
- Diamond wires
- HRXRDX-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 Si_3N_4 coating and SiO_2 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

(3)Total ficlity 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.

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

①Current Status and development of Worldwide IC industry

Global semiconductor revenue is set to rise 7.2 per cent over 2016 because of ramping demand for DRAM and app-specific standard products for the IoT and allied markets, according to Gartner's digital witch-doctors. ASSPs (app-specific standard products) are like ASICs but for general customers, not individual ones.

In 2016 the semiconductor industry saw revenues of $339.7bn, a low 1.5 per cent increase over 2015. However, in 2017, revenues should increase to $364.1bn, predicts the analyst. Gartner says, the top 25 semiconductor vendors' combined revenue increased by 7.9 per cent compared with 2015, and accounted for 75.9 per cent of the market. It provides a table listing the top 10 vendors, headed by Intel, with Samsung Electronics and Qualcomm in second and third place respectively.

Table 1. Top 10 Semiconductor Vendors by Revenue, Worldwide, 2016

(Millions of Dollars)

2016 Rank	2015 Rank	Vendor	2016 Revenue	2016 Market Share (%)	2015 Revenue	2015-2016 Growth(%)
1	1	Intel	53,996	15.9	51,690	4.5
2	2	Samsung Electronics	40,143	11.8	37,852	6.1
3	4	Qualcomm	15,351	4.5	16,079	-4.5
4	3	SK hynix	14,267	4.2	16,374	-12.9
5	16	Broadcom Ltd. (formerly Avago)	13,149	3.9	5,216	152.1
6	5	Micron Technology	12,585	3.7	13,816	-8.9
7	6	Texas Instruments	11,776	3.5	11,533	2.1
8	7	Toshiba	10,051	3.0	9,162	9.7
9	12	NXP	9,170	2.7	6,543	40.1
10	11	Media Tek	8,697	2.6	6,704	29.7
		Others	**150,499**	**44.2**	**159,799**	**-5.8**
		Total	**339,684**	**100.0**	**334,768**	**1.5**

Source：Gartner，2017/01

Note:：Some columns do not add to totals shown because of rounding.

The outlook for 2017 is better than 2016, as canned quotes by Gartner research VP Ganesh Ramamoorthy show: "The worst is now over with a positive outlook emerging for 2017 driven by inventory replenishment and increasing average selling prices (ASPs) in select markets, particularly commodity memory and application-specific standard products."

The DRAM market accounts for nearly $10bn of the $14.1bn, by which Gartner has increased its revenue forecast for 2017. It says that smartphones and PCs will be slow-growth areas, but the industrial, automotive and storage markets will be faster-growing, although smaller in size than the smartphone and PC markets.

The pure-play foundry market is forecast to play an increasingly stronger role in the worldwide IC market during the next five years, according to IC Insights' new 2017 McClean Report, which becomes available later this month. The 20th anniversary edition of The McClean Report forecasts that the 2016-2021 pure-play IC foundry market will increase by a compound annual growth rate (CAGR) of 7.6%; growing from $50.0 billion in 2016 to $72.1 billion in 2021.

Table 2 shows the ranking of the top 10 pure-play foundries in 2016. In 2016, the "Big 4" pure-play foundries (i.e., TSMC, GlobalFoundries, UMC, and SMIC) held an imposing 85% share of the total worldwide pure-play IC foundry market. As shown, TSMC held a 59% marketshare in 2016, the same as in 2015, and its sales increased by $2.9 billion last year, more than double the $1.4 billion increase it logged in 2015. GlobalFoundries, UMC, and SMIC's combined share was 26% in 2016, the same as in 2015.

The three top-10 pure-play foundry companies that displayed the highest growth rates in 2016 were X Fab (54%), which specializes in analog, mixed-signal, and high-voltage devices and acquired pure-play foundry Altis in 3Q16 to move into the top 10 for the first time, China-based SMIC (31%), and analog and mixed-signal specialist foundry TowerJazz (30%). In contrast to X-Fab's 2016 growth spurt, TowerJazz and SMIC have been on a very strong growth curve over the past few years. TowerJazz went from $505 million in sales in 2013 to $1,249 million in 2016 (a 35% CAGR) while SMIC more than doubled its revenue from 2011 ($1,220 million) to 2016 ($2,921 million) and registered a 19% CAGR over this five-year timeperiod.

Table 2, Top 10 Worldwide Semiconductor Foundries by Revenue

(Millions of U.S. Dollars)

2016 Rank	2015 Rank	Company (Headquarters)	2014 Sales ($M)	14/13 % Chang	2014 Share of Total	2015 Sales ($M)	15/14 % Change	2015 Share of Total	2016 Sales ($M)	16/15 % Change	2016 Share of Total
1	1	TSMC (Taiwan)	25,138	25%	59%	26,574	6%	59%	29,488	11%	59%
2	2	GlobalFoundries (U.S.)1	4,355	6%	10%	5,019	15%	11%	5,545	10%	11%
3	3	UMC Group (Taiwan)	4,331	9%	10%	4,464	3%	10%	4,582	3%	9%
4	4	SMIC (China)2	1,970	0%	5%	2,236	14%	5%	2,921	31%	6%
5	5	Powerchip (Taiwan)	1,291	9%	3%	1,268	-2%	3%	1,275	1%	3%
6	6	TowerJazz (Israel)	828	64%	2%	961	16%	2%	1,249	30%	2%
7	7	Vanguard (Taiwan)	790	11%	2%	736	-7%	2%	800	9%	2%
8	8	Hua Hong Semi (China)	665	14%	2%	650	-2%	1%	712	10%	1%
9	9	Dongbu HiTek (S. Korea)	541	20%	1%	593	10%	1%	672	13%	1%
10	11	X-Fab (Europe)	330	14%	1%	331	0%	1%	510	54%	1%
—	—	Others	2,280	3%	5%	2,405	5%	5%	2,251	-6%	<1%
		Total	42,519	18%	100%	45,237	6%	100%	50,005	11%	100%
			1. Includes $740 million in 2H15 sales from IBM purchase. 2. Partially owned by TSMC.								

Source：Gartner，2017/01

According to the latest figures from Gartner, Apple and Samsung spent $61.7 billion on semiconductors last year, contributing 18.2% to the global chip market. Samsung led the market in 2016, spending $31.67 billion last year, with Apple falling to second place. The South Korean company grew its semiconductor design total available market (TAM) with a 9.3% share (via ZDNet).

Apple spent 2.9% less at $29.99 billion, on decreased design TAM for the first time since Gartner began tracking the market in 2007. The iPhone maker's market share dropped to 8.8%, according to the report, which also highlights that the iPad did not sell well last year and lost share in the PC market.

Table 3, Preliminary Ranking of Top 10 Companies by Semiconductor Design TAM, Worldwide 2016

(Millions of U.S. Dollars)

2015 Ranking	2016 Ranking	Company	2015	2016	Growth (%) 2015-2016	2016 Market Share (%)
2	1	Samsung Electronics	30,343	31,667	4.4	9.3
1	2	Apple	30,885	29,989	-2.9	8.8
4	3	Dell	10,606	13,308	25.5	3.9
3	4	Lenovo	13,535	12,847	-5.1	3.8
6	5	Huawei	7,597	9,886	30.1	2.9
5	6	HP Inc.	8,673	8,481	-2.2	2.5
8	7	Hewlett Packard Enterprises	6,485	6,206	-4.3	1.8
7	8	Sony	6,892	6,071	-11.9	1.8
21	9	BBK Electronics	2,515	5,818	131.4	1.7
9	10	LG Electronics	5,502	5,172	-6.0	1.5
		Others	211,736	210,238	-0.7	61.9
		Total	334,768	339,684	1.5	100.0
Note: Numbers may not add to totals shown because of rounding						

Source：Gartner，2017/02

TrendForce finds that changes in the top 10 ranking between 2015 and 2016 were mainly attributed to mergers and acquisitions. The IC supplier formerly known as Avago climbed to second place in this year's ranking by acquiring Broadcom Corporation. Avago also subsequently operates under the new name Broadcom Limited. The deal has allowed other companies to move up in the ranking.

Taiwan's MediaTek took third place in this year's ranking as the company's acquisition of four compatriot IC design houses gave it a much wider lead in revenue over the following seven companies in the ranking. Realtek, another Taiwan-based design house is expected to become one of the top 10 this year with its annual revenue growth at a high of 22.5%.

Table 4, Global Top 10 Fabless IC Design Houses Based on Annual Revenue, 2015~2016

(Millions of U.S. Dollars)

Company	2015	Company	2015	2016(E)	YoY
Qualcomm(QCT)	16,008.0	Qualcomm(QCT)	16,008.0	15,284.0	-4.5%
Broadcom Coporation	8,414.0	Broadcom Limited (Avago)	15,402.0	14,166.0	-8.0%
MediaTek	7,588.6	MediaTek	7,588.6	8,922.0	17.6%
Avago	6,988.0	NVIDIA	4,152.7	4,585.9	10.4%
NVIDIA	4,152.7	AMD	3,990.0	4,183.0	4.8%
AMD	3,990.0	Marvell	2,805.0	2,402.9	-14.3%
Marvell	2,805.0	Xilinx	2,219.0	2,300.0	3.6%
Xilinx	2,219.0	Novatek	1,641.0	1,483.0	-9.6%
Novatek	1,641.0	Realtek	1,024.0	1,254.1	22.5%
Dialog	1,355.0	Dialog	1,355.0	1,158.0	-14.6%

Source：Topology Research Institute, 2016/12

Among this year's top 10 IC design houses by revenue, MediaTek, NVIDIA, AMD, Xilinx and Realtek are expected to register annual growth. MediaTek's annual revenue growth is estimated at 17.6% this year as the company has expanded via acquisitions and profited from strong demand from Chinese smartphone brands. NIVIDIA, which has established itself in the gaming market during recent years, is also benefitting from revenue increases in areas such as data centers and automotive electronics. As for AMD, the company has successes in developing its semi-custom chip business and is gradually expanding into the embedded and enterprise markets. These three areas contributed to significant revenue increase for AMD this third quarter and are likely to become important market segments for the company in the near future.

TrendForce further notes that the two major Chinese fabless IC design houses HiSilicon and Spreadtrum have not released their financial results to the public. For that reason, these two companies are excluded from TrendForce's 2016 ranking. Nonetheless, TrendForce's analysis indicates that HiSilicon and Spreadtrum are expected to do well revenue-wise this year on account of the strong growth in China's smartphone market. HiSilicon's annual revenue for 2016 is estimated around US$3.98 billion, an increase of 11.8% from 2015. Spreadtrum's revenue for this year is estimated around US$1.91 billion, translating to an annual growth of 8.1%.

IC Insights has just released its new Global Wafer Capacity 2017-2021—Detailed Analysis and Forecast of the IC Industry's Wafer Fab Capacity report. Shown below is a brief excerpt from that report.
Prior to 2008, the 200mm wafer was used in more cases for manufacturing ICs than any other wafer size. However, since 2008, the majority of IC fabrication has taken place on 300mm wafers. Rankings of IC manufacturers by installed capacity for each of the wafer sizes are shown in Figure 1. The chart also compares in a relative manner the amounts of capacity held by the top 10 leaders.

Figure 1, Installed Capacity Leaders at Dec-2016-by Wafer Size
(Ranked by share of Total WW Monthly Installed Capacity)

300nm Wafers			200nm Wafers			≤150nm Wafers		
WW Share	Top 10 Relative	Top 10 in Capacity	WW Share	Top 10 Relative	Top 10 in Capacity	WW Share	Top 10 Relative	Top 10 in Capacity
22%		Samsung	11%		TSMC*	12%		STMicro
14%		Micron*	7%		TI	11%		ON Semi
13%		SK Hynix	6%		STMicro	7%		Panasonic
13%		TSMC	6%		UMC	6%		CR Micro
11%		Toshiba/WD	5%		Infineon	5%		Silan
7%		Intel*	4%		NXP	4%		Renesas
6%		GlobalFoundries	4%		Toshiba	3%		TI
3%		UMC	4%		SMIC	3%		TSMC
2%		Powerchip	4%		Samsung	3%		Rohm/Lapis
2%		SMIC	3%		HHGrace	3%		Toshiba

WW Share is each company's share of total industry capacity for that wafer size.
Blue bars indicate the relative amount of capacity held by each company among the top 10 leaders.
*Includes shares of capacity from joint ventures.

Source:IC insights，2016/12

Looking at the ranking for 300mm wafers, it is not surprising that the list includes only DRAM and NAND flash memory suppliers like Samsung, Micron, SK Hynix, and Toshiba/Western Digital; the world's five largest pure-play foundries TSMC, GlobalFoundries, UMC, Powerchip, and SMIC; and Intel, the industry's biggest IC manufacturer (in terms of revenue). These companies offer the types of ICs that benefit most from using the largest wafer size available to best amortize the manufacturing cost per die, and have the means to continue investing large sums of money in new and improved 300mm fab capacity.

The leaders in the 200mm size category consist of pure-play foundries and manufacturers of analog/mixed-signal ICs and microcontrollers.

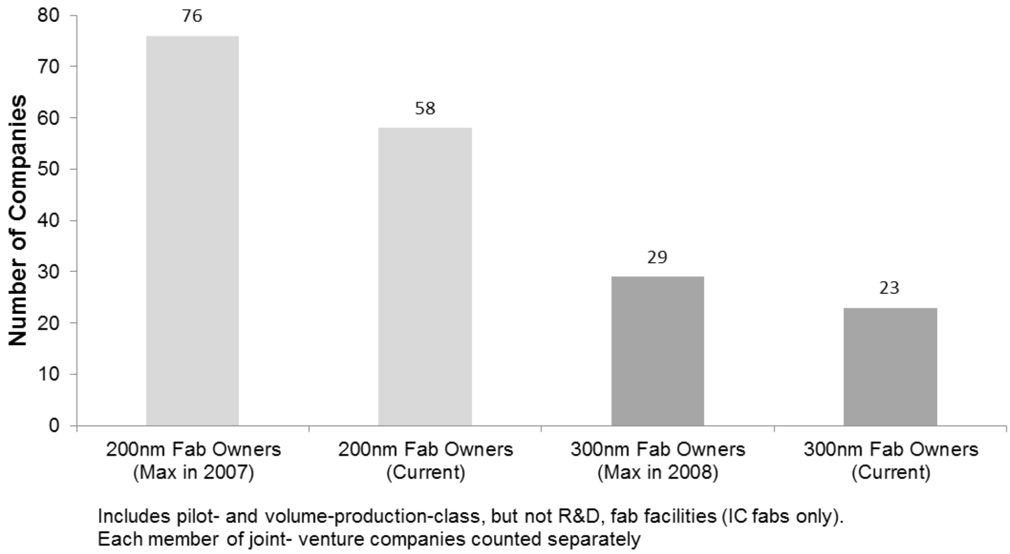
The ranking for the smaller wafer sizes (i.e., ≤150mm) includes a more diversified group of companies. STMicroelectronics has a huge amount of 150mm wafer capacity at its fab site in Singapore, but the company has been busy converting this production to 200mm wafers. Another STMicroelectronics 150mm fab in Catania, Italy, is also undergoing a conversion to 200mm wafers, with plans for that project to be completed in 2017.

A significant trend regarding the industry's IC manufacturing base, and a challenging one from the perspective of companies that supply equipment and materials to chip makers, is that as the industry moves IC fabrication onto larger wafers in bigger fabs, the group of IC manufacturers continues to shrink in number (Figure 2).

Today, there are less than half the number of companies that own and operate 300mm wafer fabs than 200mm fabs. Moreover, the distribution of worldwide 300mm wafer capacity among those manufacturers is becoming increasingly top-heavy.

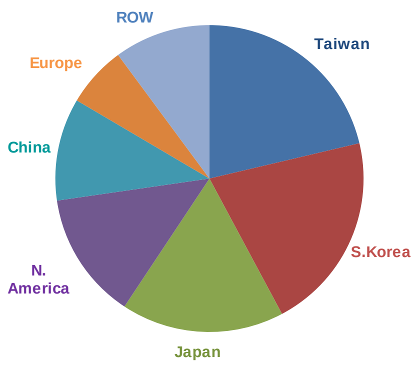
Figure 2, Number of IC Companies with 200nm vs. 300nm Fabs

(as of December 2016)



Source：IC insights

Figure 3, Monthly Installed Capacity in 200mm-equivalents



Region	Installed Capacity (K w/m)	% of Worldwide Total
Taiwan	3,645	21.3%
S.Korea	3,569	20.9%
Japan	2,925	17.1%
N. America	2,297	13.4%
China	1,849	10.8%
Europe	1,099	6.4%
ROW	1,730	10.1%
TOTAL	17,114	100.0%

Source：IC Insights

According to IC Insights' latest report that Taiwan led all regions/countries in wafer capacity with 21.3% share, a slight decrease from 21.7% in 2015 when the country first became the global wafer capacity leader.

IC Insights noted that Taiwan was only slightly ahead of South Korea, which was in second place. The Global Wafer Capacity report shows that South Korea accounted for 20.9% of global wafer capacity in 2016, slightly more than the 20.5% share it held in 2015. Two companies in Taiwan and two in South Korea accounted for the vast share of wafer fab capacity in each country. In Taiwan, TSMC and UMC held 73% of the country's capacity while in South Korea, Samsung and SK Hynix represented 93% of the IC wafer capacity installed in 2016.

Japan remained firmly in third place with just over 17% of global wafer fab capacity. Micron's purchase of Elpida several years ago and other recent major changes in manufacturing strategies of companies in Japan, including Panasonic spinning off some of its fabs into separate companies, means that the top two companies (Toshiba and Renesas) accounted for 64% of that country's wafer fab capacity in 2016.

China showed the largest increase in global wafer capacity in 2016, rising 1.1 percentage points to 10.8% from 9.7% in 2015. China's gained marketshare came mostly at the expense of North America's share, which slipped 0.9 percentage points in 2016. With a lot of buzz circulating about new ventures and wafer fabs in China in the coming years, it will be interesting to watch how quickly China's installed wafer capacity grows. It is worth noting that China first became a larger wafer capacity holder than Europe in 2010. The two companies with the largest portion of wafer fab capacity in China were SMIC and HuaHong Grace (including shares from joint ventures).

In total, the top five wafer capacity leaders accounted for more than half of the IC industry's wafer fab capacity, having increased from 2009, when the top five wafer capacity leaders accounted for approximately a third of global capacity.

Worldwide silicon wafer area shipments increased 3 percent in 2016 when compared to 2015 area shipments according to the SEMI Silicon Manufacturers Group (SMG) in its year-end analysis of the silicon wafer industry, while worldwide silicon revenues increased by 1 percent in 2016 compared to 2015.

Silicon wafer area shipments in 2016 totaled 10,738 million square inches (MSI), up from the previous market high of 10,434 million square inches shipped during 2015. Revenues totaled $7.21 billion, one percent higher from the $7.15 billion posted in 2015. "Annual semiconductor silicon volume shipments reached record levels for the third year in a row," said Chungwei (C.W.) Lee, chairman SEMI SMG and Corporate Development VP of GlobalWafers. "However, despite historical shipment highs, the same cannot be said about silicon revenue. The market remains well below pre-downturn levels."

Table 5, Annual Silicon* Industry Trends

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

*Shipments are for semiconductor applications only and do not include solar applications

Source： SEMI，2017/02

Silicon wafers are the fundamental building material for semiconductors, which in turn, are vital components of virtually all electronics goods, including computers, telecommunications products, and consumer electronics. The highly engineered thin round disks are produced in various diameters (from one inch to 12 inches) and serve as the substrate material on which most semiconductor devices or "chips" are fabricated.

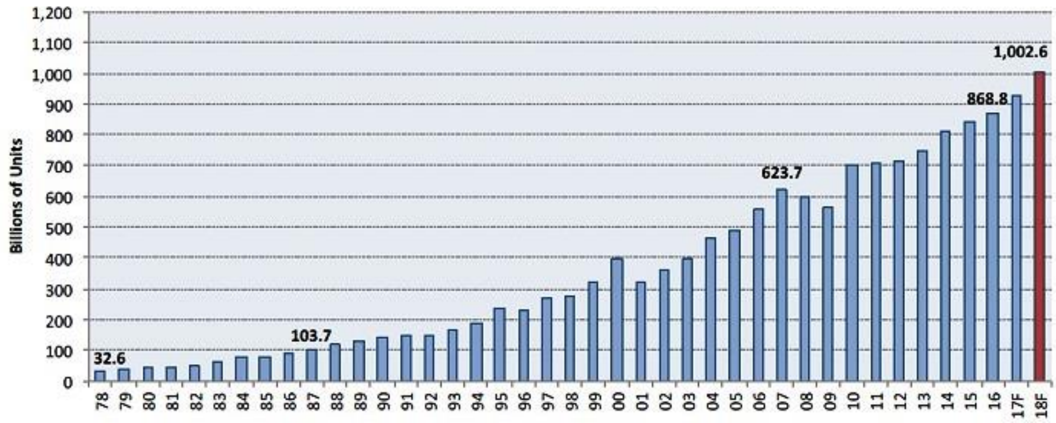
All data cited in this release is inclusive of polished silicon wafers, including virgin test wafers and epitaxial silicon wafers, as well as non-polished silicon wafers shipped by the wafer manufacturers to the end-users.

The Silicon Manufacturers Group acts as an independent special interest group within SEMI and is open to SEMI members involved in manufacturing polycrystalline silicon, monocrystalline silicon or silicon wafers (e.g., as cut, polished, epi, etc.). The purpose of the group is to facilitate collective efforts on issues related to the silicon industry including the development of market information and statistics about the silicon industry and the semiconductor market.

Total yearly semiconductor unit shipments (integrated circuits and opto-sensor-discrete, or O-S-D, devices) are forecast to continue their upward march and are now expected to top one trillion units for the first time in 2018, according to data presented in IC Insights' recently released 2016 edition of The McClean Report and its soon to be released 2016 O-S-D Report.

Semiconductor shipments in excess of one trillion units are forecast to be the new normal beginning in 2018. Figure 1 shows that semiconductor unit shipments are forecast to climb to 1022,5 billion devices in 2018 from 32,6 billion in 1978, which amounts to average annual growth of 9,0% over the 40-year period and demonstrates how increasingly dependent on semiconductors the world has become.

Figure 4, Tracking Semiconductor Unit Growth

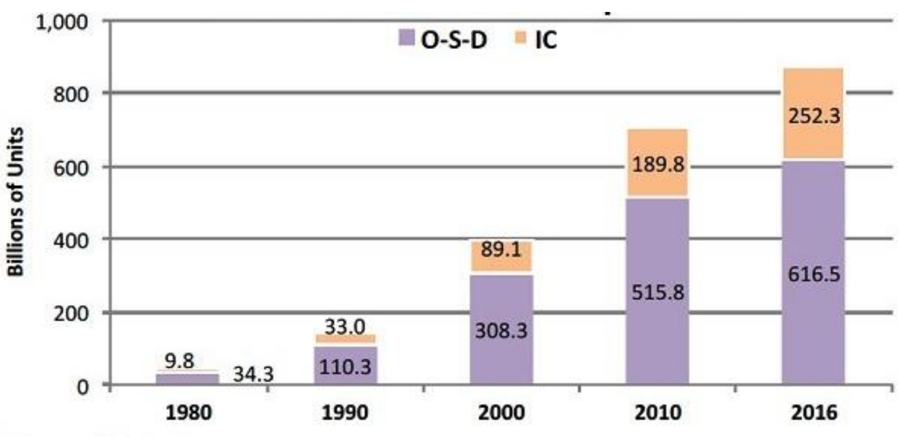


Source：IC Insights，2017/03

The largest annual increase in semiconductor unit growth during the time span shown was 34% in 1984; the biggest decline was 19% in 2001 following the dot-com bust. The global financial meltdown and ensuing recession caused semiconductor shipments to fall in both 2008 and 2009, the only time the industry has experienced consecutive years in which unit shipments declined. Semiconductor unit growth then surged 25% in 2010, the second highest growth rate since 1978.

The percentage split of IC and O-S-D devices within total semiconductor units has remained fairly steady despite advances in integrated circuit technology and the blending of functions to reduce chip count within systems. In 1980, O-S-D devices accounted for 78% of semiconductor units and ICs represented 22%. Thirty-five years later in 2015, O-S-D devices accounted for 72% of total semiconductor units, compared to 28% for ICs (Figure 2).

Figure 5, Opto, Sensor, Discretes Account for Bulk of Semiconductor Unit Shipments

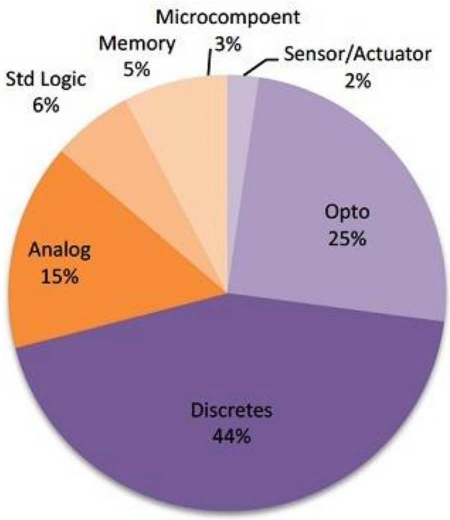


Source：IC Insights，2017/03

From one year to the next year – and usually depending on the must-have electronic system or product in the market at the time – different semiconductor products emerge to experience the strongest unit shipment growth. Figure 3 shows

IC Insights' forecast of the O-S-D and IC product categories with largest unit growth rates forecast for 2016.

Figure 6, 2016 Semiconductor Unit Shipments (868.8B)

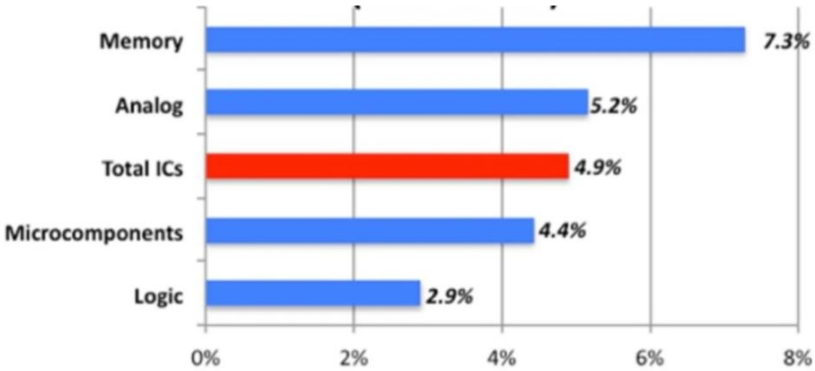


Source：IC Insights，2017/03

Semiconductors showing the strongest unit growth are essential building-block components in smartphones, new automotive electronics systems, and within systems that are helping to build out of Internet of Things

Sales of memory ICs are expected to show the strongest growth rate among major integrated circuit market categories in 2017, including DRAMs and NAND flash ICs will increase by a compound annual growth rate (CAGR) of 7.3% to \$109.9 billion in 2021 from \$77.3 billion in 2016, according to IC Insights' new 2017 McClean Report.

Figure 7, Market CAGRs of Major Product Categories (2016-2021F)



Source：IC Insights，2017/01

The 2017 McClean Report separates the total IC market into four major product categories: analog, logic, memory, and microcomponents. Figure shows the forecasted 2016-2021 CAGRs of the four major IC product categories compared to the projected total IC market annual growth rate of 4.9% during the five-year period.

As shown, the memory IC category is forecast to show the strongest growth rate through 2021 while the weakest increase is expected to occur in the logic category, which includes general-purpose logic, ASICs, field-programmable logic, display drivers, and application-specific standard products.

The strong memory CAGR is driven by surging low-power memory requirements for DRAM and NAND flash in portable wireless devices like smartphones and by growing demand for solid-state drives (SSD) used in big-data storage applications and increasingly in notebook computers. Moreover, year-over-year DRAM bit volume growth is expected to increase throughout the forecast to support virtualization, graphics, and other complex, real-time workload applications.

Analog ICs, the second-fastest growing segment, are a necessity within both very advanced and low-budget systems. Power management analog devices are critical for helping extend battery life in portable and wireless systems and have demonstrated strong market growth in recent years. In 2017, the signal conversion market is forecast to be the fastest growing analog IC category, and the second-fastest growing IC product category overall, trailing only the market growth of 32-bit MCUs.

Total microcomponent sales have cooled significantly. Fortunately, marginal gains in the cellphone MPU market and strong gains in the 32-bit MCU market have helped offset weakness of standard PC and tablet microprocessor sales.

The pure-play foundry market is forecast to play an increasingly stronger role in the worldwide IC market during the next five years, according to IC Insights' new 2017 McClean Report, which becomes available later this month. The 20th anniversary edition of The McClean Report forecasts that the 2016-2021 pure-play IC foundry market will increase by a compound annual growth rate (CAGR) of 7.6%; growing from $50.0 billion in 2016 to $72.1 billion in 2021.

IC foundries have two main customers—fabless IC companies (e.g., Qualcomm, Nvidia, Xilinx, AMD, etc.) and IDMs (e.g., ON, ST, TI, Toshiba, etc.). The success of fabless IC companies as well as the movement to more outsourcing by existing IDMs has fueled strong growth in IC foundry sales since 1998. Moreover, an increasing number of mid-size companies are ditching their fabs in favor of the fabless business model. A few examples include Fujitsu, IDT, LSI Corp. (now part of Avago), Avago (now Broadcom Ltd.), and AMD, which have all become fabless IC suppliers over the past few years.

Figure 1 shows the ranking of the top 10 pure-play foundries in 2016. In 2016, the "Big 4" pure-play foundries (i.e., TSMC, GlobalFoundries, UMC, and SMIC) held an imposing 85% share of the total worldwide pure-play IC foundry market. As shown, TSMC held a 59% marketshare in 2016, the same as in 2015, and its sales increased by $2.9 billion last year, more than double the $1.4 billion increase it logged in 2015. GlobalFoundries, UMC, and SMIC's combined share was 26% in 2016, the same as in 2015.

The three top-10 pure-play foundry companies that displayed the highest growth rates in 2016 were X Fab (54%), which specializes in analog, mixed-signal, and high-voltage devices and acquired pure-play foundry Altis in 3Q16 to move into the top 10 for the first time, China-based SMIC (31%), and analog and mixed-signal specialist foundry TowerJazz (30%). In contrast to X-Fab's 2016 growth spurt, TowerJazz and SMIC have been on a very strong growth curve over the past few years. TowerJazz went from $505 million in sales in 2013 to $1,249 million in 2016 (a 35% CAGR) while SMIC more than doubled its revenue from 2011 ($1,220 million) to 2016 ($2,921 million) and registered a 19% CAGR over this five-year timeperiod.

Seven of the top 10 pure-play foundries listed in Figure 1 are based in the Asia-Pacific region. Europe-headquartered specialty foundry X-Fab, Israel-based TowerJazz, and U.S.-headquartered GlobalFoundries are the only non-Asia-Pacific companies in the top 10 group.

Table 6, Top 10 Pure-Play Foundry Companies

2016 Rank	2015 Rank	Company (Headquarters)	2014 Sales ($M)	14/13 % Chang	2014 Share of Total	2015 Sales ($M)	15/14 % Change	2015 Share of Total	2016 Sales ($M)	16/15 % Change	2016 Share of Total
1	1	TSMC (Taiwan)	25,138	25%	59%	26,574	6%	59%	29,488	11%	59%
2	2	GlobalFoundries (U.S.)1	4,355	6%	10%	5,019	15%	11%	5,545	10%	11%
3	3	UMC Group (Taiwan)	4,331	9%	10%	4,464	3%	10%	4,582	3%	9%
4	4	SMIC (China)2	1,970	0%	5%	2,236	14%	5%	2,921	31%	6%
5	5	Powerchip (Taiwan)	1,291	9%	3%	1,268	-2%	3%	1,275	1%	3%
6	6	TowerJazz (Israel)	828	64%	2%	961	16%	2%	1,249	30%	2%
7	7	Vanguard (Taiwan)	790	11%	2%	736	-7%	2%	800	9%	2%
8	8	Hua Hong Semi (China)	665	14%	2%	650	-2%	1%	712	10%	1%
9	9	Dongbu HiTek (S. Korea)	541	20%	1%	593	10%	1%	672	13%	1%
10	11	X-Fab (Europe)	330	14%	1%	331	0%	1%	510	54%	1%
—	—	Others	2,280	3%	5%	2,405	5%	5%	2,251	-6%	<1%
		Total	42,519	18%	100%	45,237	6%	100%	50,005	11%	100%
			1. Includes $740 million in 2H15 sales from IBM purchase. 2. Partially owned by TSMC.								

Source：IC Insights，2017/ 01

Table 7, China Foundries

Foundry	Location	Size	Capacity (Thousand Pieces per Month)	Equivalent Capacity (Thousand Pieces per Month)	Production Item
SMIC	Bejing	12"	35	35	Logic chips
SMIC	Bejing	12"	36	36	Logic chips
SMIC	Bejing	12"	35	35	Qualcomm chips
SMIC	Shanghai	12"	15	15	14nm Wafer Foundry
SMIC	Shanghai	12"	70	70	Consumer and communicaitons electronics: CCD, CMOS, Logic circuit, PMIC...etc.
SMIC	Shenzhen	12"	40	40	
SMIC	Ningbo	12"			
SMIC	Shanghai	8"	120	53.5	
SMIC	Shanghai	8"	30	13.3	
SMIC	Shanghai	8"	30	13.3	
SMIC	Shenzhen	8"	30	13.3	
SMIC	Tianjin	8"	45	20	
SMIC	Tianjin	8"	105	46.7	Qualcomm chips
Intel	Dalian	8"	60	60	3D-NAND Flash
Nexchip	Hefei	12"	40	40	Logic chip, 90nm panel to drive IC.
TACAMA	Huai'an	12"	20	20	Phase I : ◆ 8" foundry in production of PMIC and MEMS. Phase II : ◆ 8" foundry in production of PMIC and RFIC. ◆ 12" foundry in production of self-innovation CMOS.
TACAMA	Huai'an	8"	40	17.8	
TSMC	Nanjing	12"	20	20	16nm logic chips foundry
TSMC	Shanghai	8"	120	53.3	Production of car IC.
JHICC	Quanzhou	12"	60	60	Embedded Flash and Niche DRAM
TAINET	Xiamen	12"	50	50	Logic chips foundry
HLMC	Shanghai	12"	35	35	
HLMC	Shanghai	12"	40	40	Ground breaking in 2016, launching in 2018.
Unigroup	Shenzhen	12"	40	40	DRAM, at the end of 2018.
SK Hynix		12"	160	160	DRAM
YRST/ XMC	Wuhan	12"	25	25	
YRST/ XMC	Wuhan	12"	200	200	NOR/Nand Flash, DRAM, at the biginning of 2018
Globalfoundries	Chongqing	12"			Coporation Failure?
Samsung	Xi'an	12"	100	100	NAND Flash
AOS	Chongqing	12"	20	20	
Unigroup Spreadtrum RDA/ Intel	Dalian	12"			NAND Flash
SKT	Hefei	12"			DRAM, 2018
TI Chengdu	Chengdu	8"	50	22.2	
Silan	Hangzhou	8"	20	8.9	
HHGrace	Shanghai	8"	60	26.7	Logic IC, embedded NVM, PMIC, power divices, RFIC, and mix signals.
HHGrace	Shanghai	8"	90	40	
ASMC	Shanghai	8"	23	10.2	
HJTC	Suzhou	8"	100	44.4	Logic, mixed-signal / RF Circuits, embedded non-volatile memory
CSMC	Wuxi	8"	60	26.7	Simulation-based capacity in foundry
SKYSILICON	Chongqing	8"	30	13.3	
CSR	Zhuzhou	8"	50	22.2	

* The numbers in black represent "into operation " (at a level close to full capacity),and the numbers in red represent "under construction" (at a level of planning stage)
* Standard capacity : one piece of 12" wafer equals to 2.25 pieces of 8" wafer, which is based on capacity of 12" wafer.

Table 8, China Foundries-6”

Company	No.	Process	Capacity (Thousand/pcs)
NORINCOGROUP	FAB 1	0.35μm MEMS	2
Yan Dong	FAB 2	1.0-0.35μm BCD	30
SpinIC	FAB 1	MEMS	1
Solorein	FAB 1	MEMS及PLC	
FJFSMC	FAB 1	0.8-0.35μm Bipolar	25
	FAB 3	0.8-0.35μm Bipolar	25
Sichuan Guang Yi Microelectronics	FAB 1	0.5-0.25μm Bipolar	60
China Nanker Group	FAB 1	3.0-0.5μm Bipolar	15
HiWAFER	FAB 1	0.25μm HBT	
MTMicrosystems	FAB 13-2	MEMS	2
Henan Xin Ruei	FAB 2	0.35μm CMOS	
Wuxi China Resources Huajing Microelectronics	FAB 6	1.2-0.8μm IGBT, FRD, Bipolar MosFET	125
CSMC	FAB 1	1.0-0.35μm CMOS BCD SOI	110
	FAB 5	1.0-0.35μm IGBT MEMS Bipolar MosFET BCD	35
HSDIANQI	FAB 2		20
SIND-MICROELECTRONICS	FAB 4	Bipolar	57.5
Jiangsu Donchen	FAB VD2	0.8-0.35μm VDMOS	20
Hangzhou Li-on	FAB 1	0.8-0.35μm MOSFET	45
	FAB 2	MOSFET	30
BYD Company	FAB 1	2.0-0.5μm CMOS BCD	15
Xiamen Sanan Intergrated Cirecuit	FAB 1	0.5-0.35μm GaAs/GaN	30
Xiamen Ji Shun	FAB 1	0.5-0.35μm CMOS	40
ASMCS	FAB 2	0.5-0.6μm CMOS	30
	FAB 4	2μm CMOS/MEMS	3
BCD Semiconductor Manufacturing	FAB 3	1.5-0.6μm CMOS	50
BCD (Shanghai) Micro-Electronics	FAB 4	0.5-0.18μm CMOS BCD	20
Shenzhen Founder Microelectronics	FAB 1A	0.5-2.0μm CMOS	35
	FAB 1B	0.5-2.0μm CMOS	35
Shenzhen SI Semiconductors	FAB 3	CMOS	6
Silan	FAB 2	1.5-0.6μm VDMOS	90
GOOD-ARK	FAB 2		20
Zhonghuan Semiconductor	FAB 2	0.35μm	30
SZTG	FAB 1	3.0-0.5μm CMOS	30
PERI	FAB 3		5
Weiguang Electronic	FAB 2	CMOS	10
Xiyue Electronics	FAB 1	0.8-0.35μm BiCMOS, CMOS, SOI, Bipolar	70
Yangzhou Genesis Microelectronics	FAB 3	5.0-1.0μm MEMS	2
Yangzhou Yangjie Electronic Technology	FAB 3	0.5-0.35μm CMOS	100
Wuxi China-Microchip	FAB 1	MEMS	
Changsha Innovation Semiconductor	FAB 1	0.35μm CMOS	4
Zhuzhou CRRC Times Electric	FAB 2	MOS	5
CSEC	FAB 1	0.35μm CMOS	30
GUO GAO MEMS	FAB 1	intermediate test production line MEMS	3
HunterSun-MEMS	FAB 1	intermediate test production line MEMS	
Suzhou Institute of Nano	FAB 1	intermediate test production line 0.5-0.35μm MEMS	4
IntelliSense	FAB 1	intermediate test production line MEMS	
CHINA ZHENHUA（GROUP）	FAB 0	intermediate test production line 0.8-0.35μm	
CETC13	FAB 13-1	intermediate test production line CMOS	
Institue of Semiconductors, Chinese Acadymy of Science	4S	intermediate test production line MEMS	20

Source：IC Insights，2017/ 01

In terms of capacity construction, according to the reports issued by Semiconductor Equipment and Materials International （SEMI）, there are approximately 62 Semiconductor Wafer Fabrications (Fab) under planning or construction worldwide that will put into production in 2017~2020 , in which 26 of these Fabs will be located in China, accounting for 42% of the total quantity worldwide. It is estimated that six of these Wafer Fabrications established in China will put into production in 2017; the quantity will reach the peak in 2018 because 13 wafer fabrications in total will join in the operations, while the majority of them will be wafer foundry factories.

Intel continued to top all other chip companies in R&D expenditures in 2016 with spending that reached $12.7 billion and represented 22.4% of its semiconductor sales last year. Intel accounted for 36% of the top-10 R&D spending and about 23% of the $56.5 billion total worldwide semiconductor R&D expenditures in 2016, according to the 20th anniversary 2017 edition of The McClean Report that was released in January 2017. Figure 1 shows IC Insights' ranking of the top semiconductor R&D spenders based on semiconductor manufacturers and fabless suppliers with $1 billion or more spent on R&D in 2016.

Table 9, Top Semiconductor R&D Spenders
(Companies with ≧$1.0B in Spending)

2016 Rank	Company	R&D Exp ($M)	R&D/Sales %	16/15 % Chg in R&D
1	Intel	12,740	22.4%	5%
2	Qualcomm	5,109	33.1%	-7%
3	Broadcomm Ltd.	3,188	20.5%	-4%
4	Samsung	2,881	6.5%	11%
5	Toshiba	2,777	27.6%	-5%
6	TSMC	2,215	7.5%	7%
7	MediaTek	1,730	20.2%	13%
8	Micron	1,681	11.1%	5%
9	NXP	1,560	16.4%	-6%
10	SK Hynix	1,514	10.2%	9%
	Top 10 Total	**35,395**		
11	Nvidia	1,463	22.0%	10%
12	TI	1,370	11.0%	7%
13	ST	1,336	19.3%	-6%

Source：IC Insights，2017/02

Intel's R&D spending is lofty and exceeded the combined R&D spending of the next three companies on the list. However, the company's R&D expenditures increased 5% in 2016, below its 9% average increase in spending per year since 2011 and less than its 8% annual growth rate since 2001, according to the new report.

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 2010, Intel's R&D spending as a percent of sales was 16.4%, compared to 22.4% in 2016. Intel's R&D-to-sales ratios were 14.5% in 2005, 16.0% in 2000, and just 9.3% in 1995.

Among other top-10 R&D spenders, Qualcomm—the industry's largest fabless IC supplier—remained the second-largest R&D spender, a position it first achieved in

2012. Qualcomm's semiconductor-related R&D spending was down 7% in 2016 compared to an adjusted total in 2015 that included expenditures by U.K.-based CSR and Ikanos Communications in Silicon Valley, which were acquired in 2015. Broadcom Limited—which is the new name of Avago Technologies after it completed its $37 billion acquisition of U.S-based Broadcom Corporation in early 2016—was third in the R&D ranking. Excluding Broadcom's expenditures in 2015, Avago by itself was ranked 13th in R&D spending that year (at nearly $1.1 billion).

Memory IC leader Samsung was ranked fourth in R&D spending in 2016 with expenditures increasing 11% from 2015. Among the $1 billion-plus "R&D club," the South Korean company had the lowest investment-intensity level with 6.5% of its total semiconductor revenues going to chip-related research and development in 2016, which was up from just 6.2% in 2015.

Toshiba in Japan moved up two positions to fifth as it aimed its R&D spending at 3D NAND flash memories. Foundry giant Taiwan Semiconductor Manufacturing Co. (TSMC) was sixth with a 7% increase in 2016 R&D spending, followed by fabless IC supplier MediaTek in Taiwan, which moved up one position to seventh with 13% growth in R&D expenditures. U.S.-based memory supplier Micron Technology advanced from ninth to eighth in the ranking with its research and development spending rising 5% in 2016.

Rounding out the top 10, NXP in Europe was ninth in 2016, slipping from sixth in 2015 and SK Hynix grew its R&D spending 9% to complete the list. Fabless Nvidia just missed the cut with a 10% increase in expenditures for research and development.

Semiconductor consolidation played a factor in industry R&D spending rising just 1% in 2016 to a record-high $56.5 billion after a 1% increase in 2015 to $56.2 billion. The slowdown in industry-wide R&D spending growth also corresponded with weakness in worldwide semiconductor sales, which declined 1% in 2015 and then recovered with a low single-digit increase in 2016.

SEMI, the global industry association representing more than 2,000 companies in the electronics manufacturing supply chain, today reported that worldwide sales of new semiconductor manufacturing equipment are projected to increase 8.7 percent to $39.7 billion in 2016, according to the SEMI Year-end Forecast, released today at the annual SEMICON Japan exposition. In 2017, another 9.3 percent growth is expected, resulting in a global semiconductor equipment market totaling $43.4 billion.

The SEMI Year-end Forecast predicts that wafer processing equipment, the largest product segment by dollar value, is anticipated to increase 8.2 percent in 2016 to total $31.2 billion. The assembly and packaging equipment segment is projected to grow by 14.6 percent to $2.9 billion in 2016 while semiconductor test equipment is forecast to increase by 16.0 percent, to a total of $3.9 billion this year.

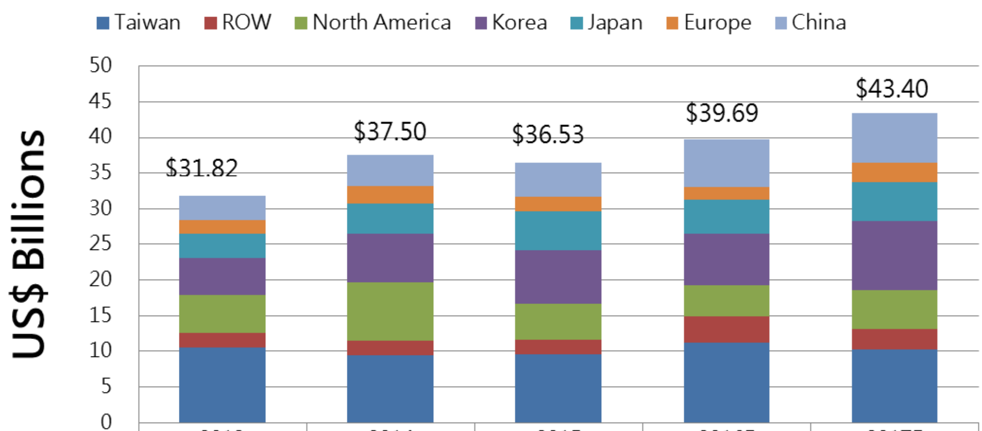
For 2016, Taiwan and South Korea are projected to remain the largest spending regions, with China joining the top three for the first time. Rest of World (essentially Southeast Asia), will lead in growth with 87.7 percent, followed by China at 36.6 percent and Taiwan at 16.8 percent.

SEMI forecasts that in 2017, equipment sales in Europe will climb the most, 51.7 percent, to a total of $2.8 billion, following a 10.0 percent contraction in 2016. In 2017, Taiwan, Korea and China are forecast to remain the top three markets, with Taiwan maintaining the top spot even with a 9.2 percent decline to total $10.2

billion. Equipment sales to Korea are forecast at $9.7 billion, while equipment sales to China are expected to reach $7.0 billion.

The following results are given in terms of market size in billions of U.S. dollars:

Figure 8, worldwide sales of new semiconductor manufacturing equipment



	2013	2014	2015	2016F	2017F
China	3.38	4.37	4.90	6.70	6.99
Europe	1.92	2.38	1.95	1.75	2.75
Japan	3.38	4.18	5.49	4.78	5.34
Korea	5.22	6.84	7.46	7.14	9.72
North America	5.27	8.16	5.12	4.37	5.41
ROW	2.08	2.15	1.97	3.70	2.97
Taiwan	10.57	9.41	9.63	11.25	10.22

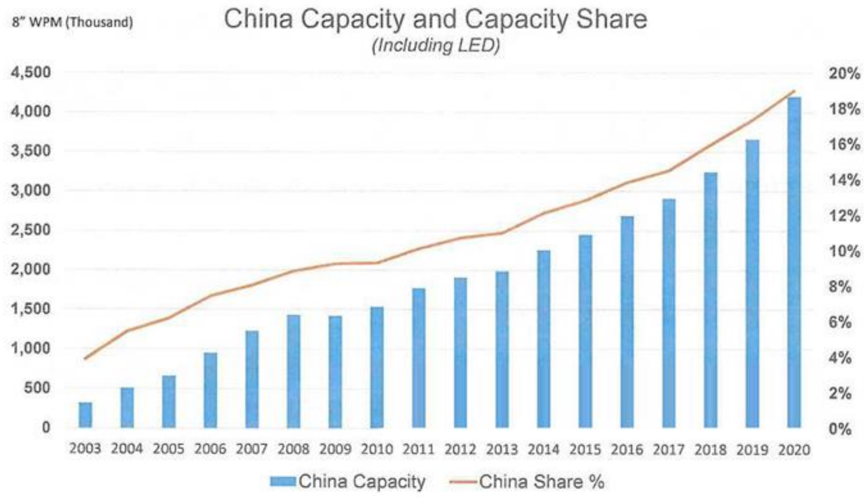
※Totals may not add due to rounding

Source：SEMI，2016/12

The Equipment Market Data Subscription (EMDS) from SEMI provides comprehensive market data for the global semiconductor equipment market. A subscription includes three reports: the monthly SEMI Book-to-Bill Report, which offers an early perspective of the trends in the equipment market; the monthly Worldwide Semiconductor Equipment Market Statistics (SEMS), a detailed report of semiconductor equipment bookings and billings for seven regions and over 22 market segments; and the SEMI Year-end Forecast, which provides an outlook for the semiconductor equipment market. For more information or to subscribe, please contact SEMI customer service at 1.877.746.7788 (toll free in the U.S.) or 1.408.943.6901 (International Callers).

Judged from the market scale in every region, China will rank top 3 in 2016 for the first time (the top 1 and top 2 are respectively Taiwan and South Korea). Basically, China has been increasing its capacity since 2003; its proportion in the world will escalate to be approximately 19% in 2020.

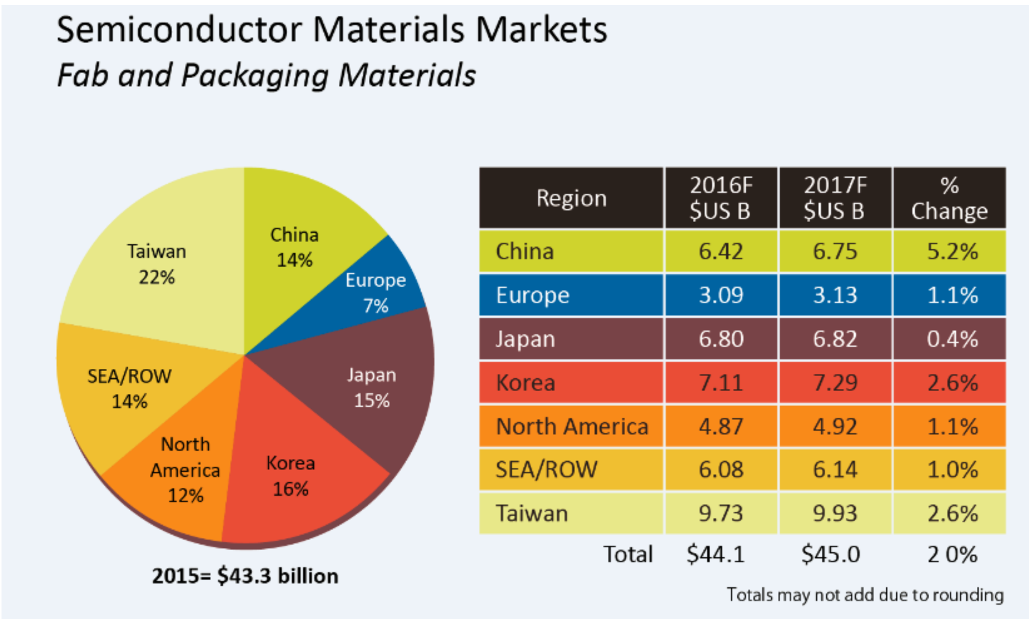
Figure 9: The Rising Share of China Capacity



Source：SEMI，2016/11

The estimation indicates that the scale of global semiconductor materials markets in 2016 will have a year-on-year increase of 1.8%, reaching USD 44.1 billion. It is estimated that there will be a year-on-year increase of 2% in 2017, reaching USD 45 billion.

Figure 10: The scale of global semiconductor materials markets in 2016



Region	2016F $US B	2017F $US B	% Change
China	6.42	6.75	5.2%
Europe	3.09	3.13	1.1%
Japan	6.80	6.82	0.4%
Korea	7.11	7.29	2.6%
North America	4.87	4.92	1.1%
SEA/ROW	6.08	6.14	1.0%
Taiwan	9.73	9.93	2.6%
Total	$44.1	$45.0	2 0%

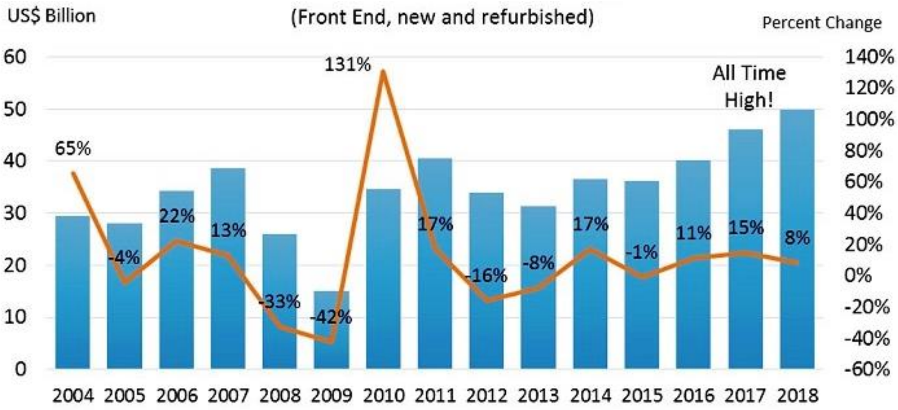
Totals may not add due to rounding

Source：SEMI，2016/12

SEMI announced updates to its World Fab Forecast report, revealing that fab equipment spending is expected to reach an industry all-time record – more than

US$46 billion in 2017. The record is expected to be broken again in 2018, nearing the $50 billion mark. These record-busting years are part of three consecutive years of growth (2016, 2017 and 2018), which has not occurred since the mid-1990s. The report has been the industry's most trusted data source for 24 years, observing and analyzing spending, capacity, and technology changes for all front-end facilities worldwide. See

Figure 11: Fab Equipment Spending



Source，SEMI， 2017/02

Semiconductor industry capital spending is expected to increase by 2.9% in 2017 and continue increasing through 2019 as the outlook for the broader semiconductor industry improves, according to market research firm Gartner Inc.Gartner (Stamford, Conn.) estimated that global capital spending will total $69.9 billion this year, up from about $68 billion last year. The firm estimated that capital spending increased by 5.1% in 2016.Track and implant segments of the equipment market are forecast to increase in 2017 by 2.5%, 5.6% and 8.4%, respectively.

Gartner noted that the outlook for the semiconductor industry has improved notably since the beginning of last year, particularly in the memory chip segment.

Global semiconductor sales began picking up significantly toward the end of 2016, prompting market watchers such as the World Semiconductor Trade Statistics (WSTS) organization to predict that total sales could be flat with 2015 sales. At the beginning of 2016, the WSTS, Gartner, and many other market watchers predicted that the semiconductor industry would contract in 2016.

Gartner's forecast calls for semiconductor industry capital spending to increase by 5.3% in 2018 and 6.4% in 2019 before contracting by 3.3% in 2020.

Table 10 Worldwide Semiconductor Industry Capital Spending Forecast

	2016	2017	2018	2019	2020
Semiconductor Capital Spending ($M)	67,994.0	69,936.6	73,613.5	78,355.6	75.799.3
Growth (%)	5.1	2.9	5.3	6.4	-3.3
Wafer-Level Manufacturing Equipment ($M)	35,864.4	38,005.4	38,488.7	41,779.7	39,827.0
Growth (%)	7.9	6.0	1.3	8.6	-4.7
Wafer Fab Equipment	34,033.2	35,978.6	36,241.1	39,272.8	37,250.4
Growth (%)	8.1	5.7	0.7	8.4	-5.1
Wafer-Level Packaging and Assembly Equipment ($M)	1,831.2	2,026.8	2,247.6	2,506.9	2,567.7
Growth (%)	3.9	10.7	10.9	11.5	2.8

Source：Gartner，2017/02

Analyst Mike Cowen provided this run-down of 2016 based on WSTS figures and his projections. A veteran Wall Street analyst projects the semiconductor industry will snap back to typical growth levels in 2017 after a slight contraction the previous year. Other market watchers also see a better year ahead, after projecting a flat or slight uptick in 2016 based on a bump in PC and memory demand.
The chip sector could expand by 5 percent in 2017 after shrinking about 1 percent in 2016, wrote Ross Seymore of Deutsche Bank in a new report. The data center will be the fastest growth segment, rising 10 percent, followed by automotive at 9 percent and communications at 7 percent.
PCs will be the big drag on 2017, declining 2 percent, with consumer and industrial markets growing at about 4 percent in line with the overall industry, according to Seymore's estimate, with possible upside from emerging markets in drones and virtual reality. Most of the growth will come in the first half of 2017, Seymore said.
The latest projections from the World Semiconductor Trade Statistics are more moderate. The group projects 2016 nearly flat at sales of $334.953 billion, down just 0.06 percent from 2015. It anticipates sales in 2017 and 2018 to be up 3.3 and 2.3 percent, respectively.

Table 11: Run-Down of Chip market 2016

YTD * SALES (TIME FRAME)	2015 YTD* SALES ($B)	2014=>15 YTD SALES GRW TH	2016 YTD* SALES ($B)	2015=>16 YTD SALES GRW TH
JANUARY	$27.273	9.0%	$25.980	-4.7%
FEBRUARY YTD	$53.347	5.9%	$50.881	-4.6%
MARCH YTD	$83.108	5.9%	$78.318	-5.8%
APRIL YTD	$109.948	5.7%	$103.521	-5.8%
MAY YTD	$137.676	5.2%	$129.086	-6.2%
JUNE YTD	$167.085	3.9%	$157.536	-5.7%
JULY YTD	$193.555	2.7%	$184.974	-4.4%
AUGUST YTD	$221.326	2.2%	$213.805	-3.4%
SEPTEMBER YTD	$252.317	1.5%	$245.840	-2.6%
OCTOBER YTD	$280.474	1.1%	$276.332	-1.5%
NOVEMBER YTD	$307.967	0.7%	$304.270	-1.3%
FULL YEAR	$335.168	-0.2%	$333.560	-0.5%
*=>YTD - Year To Date Cumulative Sales (Source: SIA / WSTS, DEC. 2016)				
NOTE - ITAUZED NUMBERS ARE COWAN LRA MODEL GENERATED FORECASTS				

Source：WSTS，2016/12

Survey results that will be posted in the March Update to the 20th anniversary 2017 edition of IC Insights' McClean Report show that eleven companies are forecast to have semiconductor capital expenditure budgets greater than $1.0 billion in 2017, and account for 78% of total worldwide semiconductor industry capital spending this year (Figure 1). By comparison, there were eight companies in 2013 with capital spending in excess of $1.0 billion. As shown in the figure, three of the top 11 major capital spenders (Intel, GlobalFoundries, and ST) are forecast to increase their semiconductor spending outlays by 25% or more in 2017.

The biggest percentage increase in spending by a major spender in 2016 came from the China-based pure-play foundry SMIC, which ran its fabrication facilities at ≥95% utilization rate for much of last year. SMIC initially set its 2016 capital expenditure budget at $2.1 billion. However, in November, the company raised its spending budget to $2.6 billion, which resulted in outlays that were 87% greater than in 2015.

In contrast to the surge of spending at SMIC last year, the weak DRAM market spurred both Samsung and SK Hynix to reduce their total 2016 capital spending by 13% and 14%, respectively. Although their total outlays declined, both companies increased their spending for 3D NAND flash in 2016. As shown, Micron is forecast to cut its spending by 13% in 2017, even after including Inotera, which was acquired by Micron in December of last year.

In 2016, GlobalFoundries had plenty of capacity available. As a result, the company cut its capital expenditures by a steep 62%. As shown, the company is forecast to increase its spending this year by 33%, the second-largest increase expected among the major spenders (though its 2017 spending total is still expected to be about half of what the company spent in 2015). It is assumed that almost all of the spending increase this year will be targeted at installing advanced processing technology (the company announced that it is focusing its efforts on developing 7nm technology and will skip the 10nm node).

Table 12: 2017F Major Capital Spenders

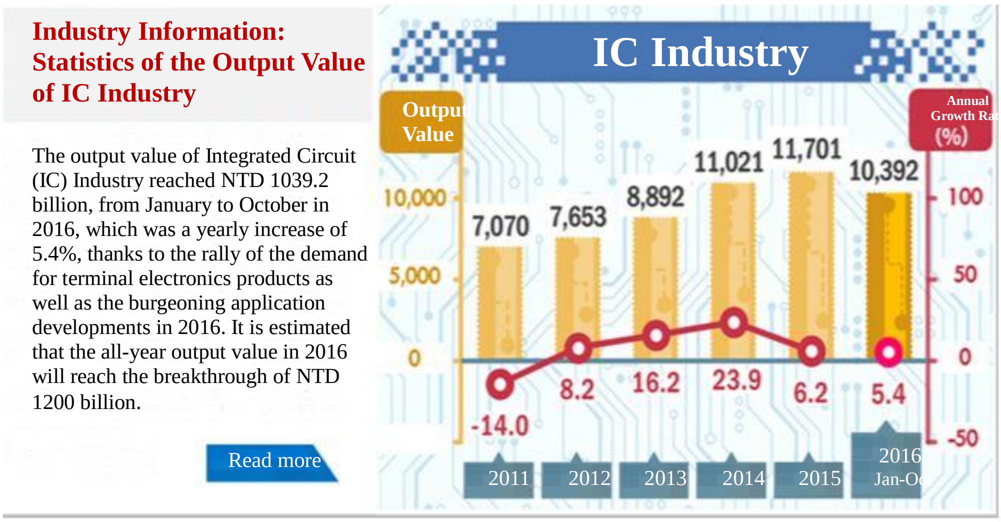
2017F Rank	Company	2015 ($M)	2016 ($M)	16/15 % Change	2017F ($M)	17/16 % Change
1	Samsung	13,010	11,300	-13%	12,500	11%
2	Intel	7,326	9,625	31%	12,000	25%
2	TSMC*	8,089	10,249	27%	10,000	-2%
4	SK Hynix	6,011	5,188	-14%	6,000	16%
5	Micron**	4,500	5,760	28%	5,000	-13%
6	SMIC*	1,401	2,626	87%	2,300	-12%
7	UMC*	1,899	2,842	50%	2,000	-30%
7	GlobalFoundries*	3,985	1,500	-62%	2,000	33%
9	Toshiba	1,745	1,840	5%	1,900	3%
10	SanDisk/WD	1,460	1,750	20%	1,800	3%
11	ST	467	607	30%	1,050	73%
—	Top 11 Total	49,893	53,287	7%	56,550	6%
—	Others	15,339	14,695	-4%	15,755	7%
—	Total Cap Spending	65,232	67,982	4%	72,305	6%

*Pure-Play Foundry ** Includes Inotera in 2017.

Source：IC Insights，2017/03

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

Figure 12: Statistics of the Output Value of IC Industry



Source：Taiwan Department of Statistics，2017/01

According to the statistics announced by Department of Statistics of Ministry of Economic Affairs, the output value of Integrated Circuit (IC) reached NTD 1039.2 billion from January to October in 2016, which was an yearly increase of 5.4%, thanks to the rally of the demand for terminal electronics products as well as the burgeoning application developments such as Internet of Things (IOT), automobile electronics, and intelligent automation. It is estimated that the all-year output value of Integrated Circuit (IC) Industry will reach the breakthrough of NTD 1200 billion, hitting a record high for 4 years in a row.

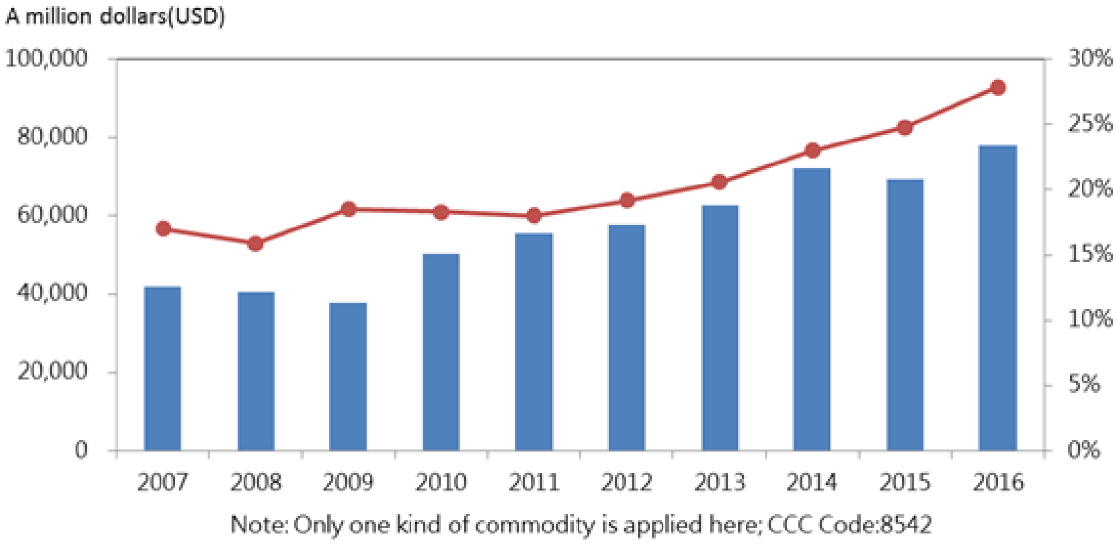
According to product observation, the output value of wafer foundries account for 80% of Integrated Circuit (IC). Because Taiwan is continuously making progress in advanced process techniques, various big international brands of mobile device continue to make innovations. There is huge demand for communication chips, whose output value reached NTD 903.5 billion from January to October in 2016, an yearly increase of 8.6% and the main source contributing to the growth in the Integrated Circuit (IC) Industry. DRAM has the secondarily large output value because its price was lower than the one in 2015, with an yearly decrease of 12.5%.

In terms of export market distribution, Direct Export accounted for 80%. From January to November in 2016, the total export value of Integrated Circuit (IC) reached USD 70.9 billion, which was a growth of 11.1% compared with the same period in 2015. As for the main export markets, Mainland China and Hong Kong (accounting for 54.8%) were the top export markets, showing the most significant yearly increase of 22.5%; Signgapore (accounting for 14.1%) ranked the second, showing an yearly decrease of 6.5%; Japan (accounting for 8.7%) and South Korea (accounting for 8.5%) ranked the third.

In order to enhance competitive advantages, domestic enterprises are actively engaging in R&D and investments, especially pouring the most substantial capital expenditures into wafer foundry factories. According to the data shown in the preceding 3 seasons of 2016 announced by the Market Observation Post System in Taiwan Stock Exchange (TWSE), TSMC poured NTD 215.5 billion into its capital expenditure, an yearly increase of 24.6%; UMC poured NTD 69.7 billion, an yearly increase of 47.7%; all of these will be helpful to promoting the production capacity of Integrated Circuit (IC) Industry.

In terms of Taiwan's semiconductor export (including re-exports), the amount has been increasing from the previous NTD 42.04 billion in 2007 to NTD 78.17 billion in 2016. During that decade, semiconductors were always the biggest export products in Taiwan.

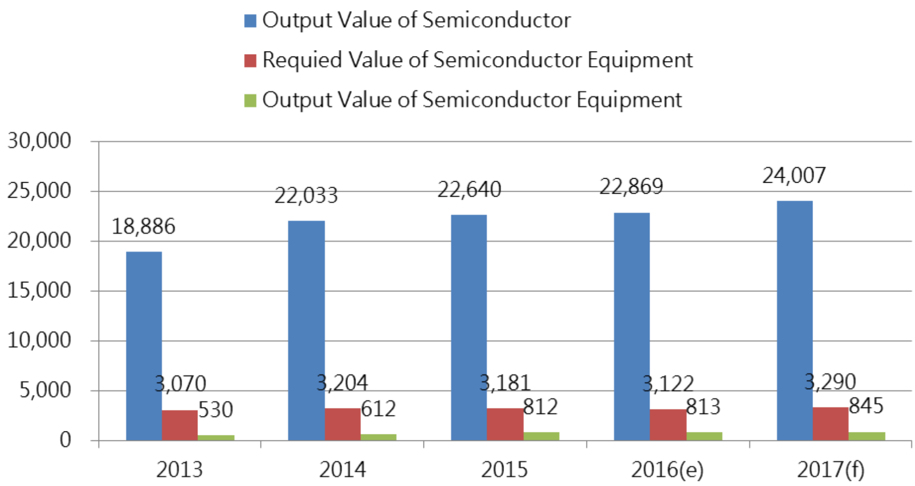
Figure 13: Export Amount of Taiwan's Semiconductor in 2007~2016



Note: Only one kind of commodity is applied here; CCC Code: 8542

Source: Statistic Data of Taiwan Customs; arranged by Topology Research Institute, March 2017

Figure 14,Scale of Taiwan's Semiconductor Equipment Market



Source： Metal Industry Intelligence (MII) , January 2017

According to the statistics estimated by Metal Industry Intelligence (MII), the scale of Taiwan's semiconductor equipment market was NTD 812.2 billion in 2016. There were also increase in terms of semiconductor and equipment compared with those of 2015, whose growth were respectively 5.0% and 0.1%. Basically, the Semiconductor Industry has a cycle lasting for 5~6 years. The year of 2013 was the trough of business cycle; meanwhile, it was also the starting point of another growth. It is estimated that both the demand for and the output value of domestic semiconductor equipment will show a growing trend in 2017~2018. Output Value of Equipment CAGR: 2008~2012:35.8% ；2013~2017: 12.4%

According to the latest figures from World Semiconductor Trade Statistics (WSTS), the sales value in the global semiconductor market reached USD 93 billion in the 4th Quarter of 2016 (16Q4), which was a growth of 5.4% compared with that of last season (16Q3) and a growth of 12.3% compared with the same period last year. The sales volume reached 217.7 billions of grains, a growth of 0.8% compared with last season and a growth of 11.7% compared with that of the same period last year (15Q4). Average Selling Price (ASP) was USD 0.427, a growth of 4.5% compared with that of last season and a growth of 0.5% compared with that of the previous year.

In the year of 2016, the all-year total sales value of the global semiconductor market reached USD 338.9 billion, a growth of 1.1% compared with that of 2015. The total sales volume in 2016 reached 824.1 billion of grains, a growth of 4.7% compared with that of 2015. The ASP in 2016 was USD 0.411, a decline of 3.4% compared with that of 2015.

Judged from each geographic market, in 16Q4, the sales value of American semiconductor market reached USD 19 billion, a growth of 11.3% compared with that of last season and a growth of 10.1% compared with that of the same period last year. The sales value of Japanese semiconductor market reached USD 8.5 billion, a growth of 1.2% compared with that of last season and a growth of 10.5% compared with that of the same period last year. The sales value of European semiconductor market reached USD 8.4 billion, a growth of 1.7% compared with that of last season and a growth of 1.3% compared with that of the same period last year. The sales value of the semiconductor markets in Asian regions reached USD 57.1 billion, a growth of 4.7% compared with that of last season and a growth of 15.2% compared with that of the same period last year. Among these regions, the market of Mainland China reached USD 30.5 billion, a growth of 7.4% compared with that of last season and a growth of 20.4% compared with that of the same period last year.

In 2016, the total sales value of American semiconductor market reached USD 65.5 billion, a decline of 4.7% compared with that of 2015; the sales value of Japanese semiconductor market reached USD 32.3 billion, a growth of 3.8% compared with that of 2015; the sales value of European semiconductor market reached USD 32.7 billion, a decline of 4.5% compared with that of 2015; the sales value of the semiconductor markets in Asian regions reached USD 208.4 billion, a growth of 3.6% compared with that of 2015. In 2016, the all-year total sales value of global semiconductor market reached USD 338.9 billion, a growth of 1.1% compared with that of 2015.

Table 13: Statistics of the Output Value of Taiwan's IC Industry in 2016

NTD; a hundred million	16Q1	Seasonal growth	Annual growth	16Q2	Seasonal growth	Annual growth	16Q3	Seasonal growth	Annual growth	16Q4	Seasonal growth	Annual growth	2016年	Annual growth
Output Value of IC Industry	5,441	-3.4%	-4.6%	6,014	10.5%	8.2%	6,596	9.7%	14.9%	6,442	-2.3%	14.4%	24,493	8.2%
IC Design	1,452	-9.7%	6.8%	1,697	16.9%	21.5%	1,784	5.1%	14.2%	1,598	-10.4%	-0.6%	6,531	10.2%
IC Manufacture	2,954	0.9%	-9.4%	3,177	7.5%	4.0%	3,587	12.9%	17.3%	3,606	0.5%	23.2%	13,324	8.3%
Wafer Foundry	2,491	2.5%	-5.9%	2,736	9.8%	9.8%	3,122	14.1%	23.7%	3,138	0.5%	29.1%	11,487	13.8%
Memory Manufacture	463	-7.0%	-24.2%	441	-4.8%	-21.7%	465	5.4%	-13.1%	468	0.6%	-6.0%	1,837	-16.8%
IC Packaging	730	-4.8%	-4.8%	800	9.6%	2.8%	850	6.3%	8.0%	858	0.9%	11.9%	3,238	4.5%
IC Testing	305	-7.3%	-4.7%	340	11.5%	3.0%	375	10.3%	11.9%	380	1.3%	15.5%	1,400	6.5%
Output Value of IC Products	1,915	-9.1%	-2.8%	2,138	11.6%	9.1%	2,249	5.2%	7.2%	2,066	-8.1%	-1.9%	8,368	2.9%
Growth Rate of Global Semiconductor	-	-	-	-	-	-	-	-	-	-	-	-	-	1.1%

Source：TSIA, IEK of Industrial Technology Research Institute (ITRI)，February 2017

According to the statistics from IEK of Industrial Technology Research Institute (ITRI), the output value of Taiwan's entire IC Industry (including IC Design, IC Manufacture, IC Packaging, IC Testing) in the 4th Quarter of 2016 reached NTD 644.2 billion (approximately USD 19.9 billion), which was a decline of 2.3% compared with that of last season and a growth of 14.4% compared with that of the same period last year. Among them, the output value of IC Design Industry was

NTD 159.8 billion (approximately USD 4.9 billion), which was a decline of 10.4% compared with that of last season and a decline of 0.6% compared with that of the same period last year.
IC Manufacture Industry accounted for NTD 360.6 billion (approximately USD 11.2 billion), which was a growth of 0.5% compared with that of last season and a growth of 23.2% compared with that of the same period last year, in which Wafer Foundry accounted for NTD 313.8 billion (approximately USD 9.7 billion), a growth of 0.5% compared with that of last season and a growth of 29.1% compared with that of the same period last year. Memory Manufacturing accounted for NTD 46.8 billion(approximately USD 1.4 billion), which was a growth of 0.6% compared with that of last season and a decline of 6.0% compared with that of the same period last year.
IC Packaging Industry accounted for NTD 85.8 billion(approximately USD 2.7 billion), which was a growth of 0.9% compared with that of last season and a growth of 11.9% compared with that of the same period last year. IC Testing Industry accounted for NTD 38 billion(approximately USD 1.2 billion), which was a growth of 1.3% compared with that of last season and a growth of 15.5% compared with that of the same period last year. The forgoing calculation was based on the exchange rate of NTD 1: USD 32.3.
According to the statistics from IEK of Industrial Technology Research Institute (ITRI), the output value of Taiwan's IC Industry in 2016 reached NTD 2449.3 billion (approximately USD 75.8 billion), a growth of 8.2%compared with that of 2015. Among them, the output value of IC Design Industry was NTD 653.1 billion (approximately USD 20.2 billion) , a growth of 10.2% compared with that of 2015; IC Manufacture Industry accounted for NTD 1332.4 billion(approximately USD 41.3 billion), a growth of 8.3% compared with that of 2015, in which Wafer Foundry accounted for NTD 1148.7 billion (approximately USD 35.6 billion), a growth of 13.8% compared with that of 2015; Memory Manufacturing accounted for NTD 183.7 billion (approximately USD 5.7 billion), a decline of 16.8% compared with that of 2015; IC Packaging Industry accounted for NTD 323.8 billion (approximately USD 10 billion), a growth of 4.5% compared with that of 2015; IC Testing Industry accounted for NTD 140 billion (approximately USD 4.3 billion), a growth of 6.5% compared with that of 2015. The calculation was based on the exchange rate of NTD 1: USD 32.3.

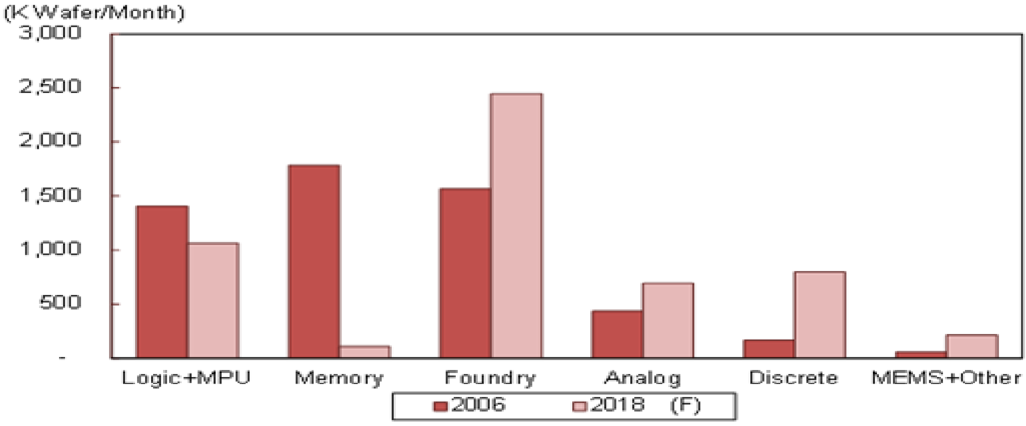
Table 14: The Output Value of Taiwan's IC Industry from 2011 to 2017

NTD; a hundred million	2,011	2011 Growth	2,012	2012 Growth	2,013	2013 Growth	2,014	2014 Growth	2,015	2015 Growth	2,016	2016 Growth	2,017	2017 Growth
Output Value of IC Industry	15,627	-11.7%	16,342	4.6%	18,886	15.6%	22,033	16.7%	22,640	2.8%	24,493	8.2%	25,916	5.8%
IC Design	3,856	-15.2%	4,115	6.7%	4,811	16.9%	5,763	19.8%	5,927	2.8%	6,531	10.2%	6,890	5.5%
IC Manufacture	7,867	-12.6%	8,292	5.4%	9,965	20.2%	11,731	17.7%	12,300	4.9%	13,324	8.3%	13,971	4.9%
Wafer Foundry	5,729	-1.7%	6,483	13.2%	7,592	17.1%	9,140	20.4%	10,093	10.4%	11,487	13.8%	12,724	10.8%
Memory Manufacture	2,138	-32.5%	1,809	-15.4%	2,373	31.2%	2,591	9.2%	2,207	-14.8%	1,837	-16.8%	1,247	-32.1%
IC Packaging	2,696	-6.1%	2,720	0.9%	2,844	4.6%	3,160	11.1%	3,099	-1.9%	3,238	4.5%	3,482	7.5%
IC Testing	1,208	-5.5%	1,215	0.6%	1,266	4.2%	1,379	8.9%	1,314	-4.7%	1,400	6.5%	1,573	12.4%
Output Value of IC Products	5,994	-22.3%	5,924	-1.2%	7,184	21.3%	8,354	16.3%	8,134	-2.6%	8,368	2.9%	8,137	-2.8%
Growth Rate of Global Semiconductor	-	0.4%	-	-2.7%	-	4.8%	-	9.9%	-	-0.2%	-	-2.4%	-	2.0%

Source: TSIA, IEK of Industrial Technology Research Institute (ITRI), Feb 2017;

(Note: "e" means "-estimate" , namely "estimated value"; the output value of IC Industry= IC Design Industry + IC Manufacture Industry + IC Packaging Industry + IC Testing Industry; the output value of IC products = IC Design Industry + Memory Manufacturing---- namely the self-owned product manufacture, in which memory accounts for the majority; the output value of IC Manufacture Industry = Wafer Foundry + Memory Manufacturing---- namely the self-owned product manufacture, in which memory accounts for the majority).

Figure 15: Situation of the Growth of Wafer Chips Manufactured by 8"FAB (8-inches wafer fabrications) Worldwide in 2006~2018



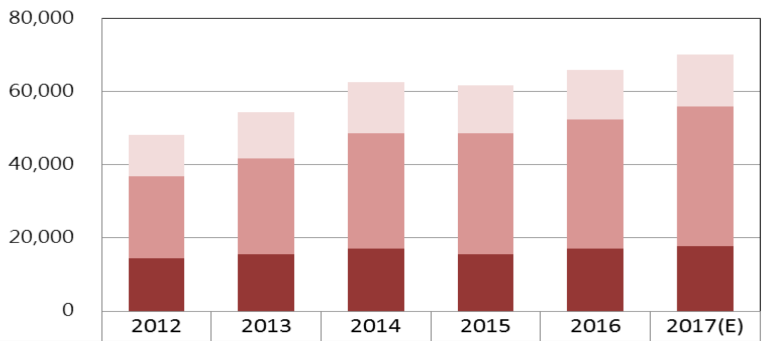
Source： Topology Research Institute, December 2016

Due to the demand for high-performance chips in the terminal market, the capacity demand for 12"FAB (12-inches wafer fabrications) has been growing steadily. Comparatively, the quantity of 8"FAB (8-inches wafer fabrications) worldwide has been decreasing since financial crisis. Until recent years, due to the intelligence enhancement of end products such as smart phones and automobile electronics, the quantities of the IC installed in relevant hardware equipment have been increasing year after year, the capacity of 8"FAB has been supported gradually and has begun to increase instead. This report is aimed at making analyses of the future developments of 8"FAB (8-inches wafer fabrications).

Manufacture OEM (exclusive of memory) Industry is a semiconductor sub-industry that makes important contribution to Taiwan. From 2012 to 2016, its output value has been growing positively. The top three important sub-industries In Taiwan, namely Professional Packaging and Testing, Manufacture OEM (exclusive of memory), and Fabless Design, accounted for 53.7% of the total revenue in 2016.

Figure 16: Revenue of Taiwanese Vendors of Semiconductor Design, Manufacture OEM, Packaging and Testing in 2012~2017

Unit: million USD dollars



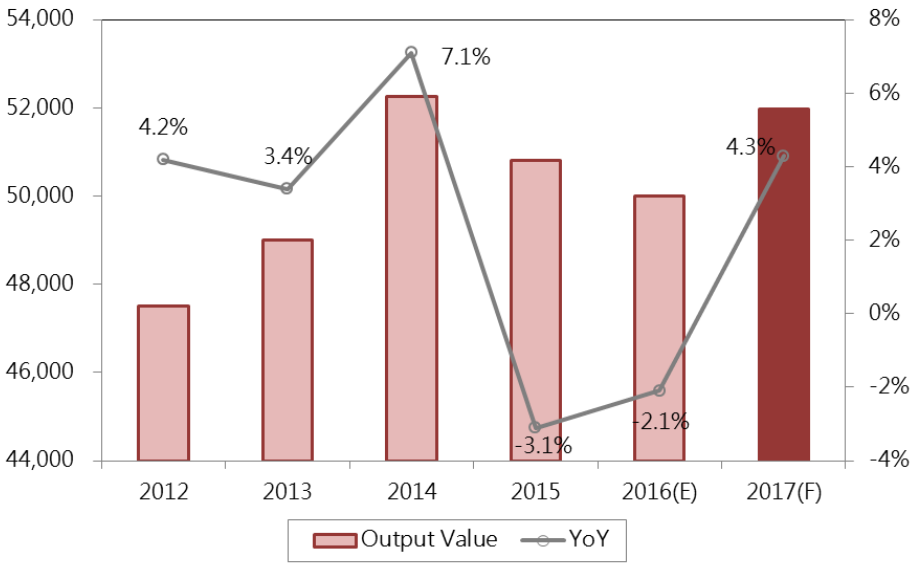
	2012	2013	2014	2015	2016	2017(E)
Professional Packaging and Testing	11,264	12,629	14,010	13,065	13,397	14,066
Manufacture OEM (exclusive of Memory)	22,288	26,032	31,513	33,074	35,309	38,218
Fabless Design	14,500	15,600	17,080	15,460	17,083	17,731

Source： Topology Research Institute, March 2017

In the aspect of Packaging and Testing OEM, Figure 15 shows the total output value of IC Packaging and Testing worldwide in 2012~2017. In 2016, the growth of smart phones had been slowing down, while PC seemed to be declining; under such trends, the growth of chips was limited. Meanwhile, packaging technique had been gradually moving into to the trend of multi-chip integration. As a result, it was more obvious that there were more and more M-shaped IC Packaging Testing Factories. The year of 2016 was the year when China had rapid growth in the aspect of Packaging and Testing. It is worthy of our exploration of whichever trend will show in terms of global IC Packaging and Testing in the future. Looking into the year of 2017, Institute for Information Industry (III) estimates that a growth of 4.3% will show, reaching USD 51.9 billion, compared with that of 2016.

Figure 17: Total Output Value of Global IC Packaging and Testing Industry in 2012~2017

Unit: million USD dollars



Source : Topology Research Institute, December

Due to the news that Mainland China's semiconductor enterprises announced their construction plans in 2016, or due to the fact that there have been more than 20 planned locations for new Wafer Fabrication facilities under construction, it is estimated that in 2018 the expenditure of local wafer facilities will exceed USD 10 billion; in addition, such expenditures will continue to escalate in 2019 and 2020. As a result, Mainland China will jump to be the greatest wafer facility market worldwide.

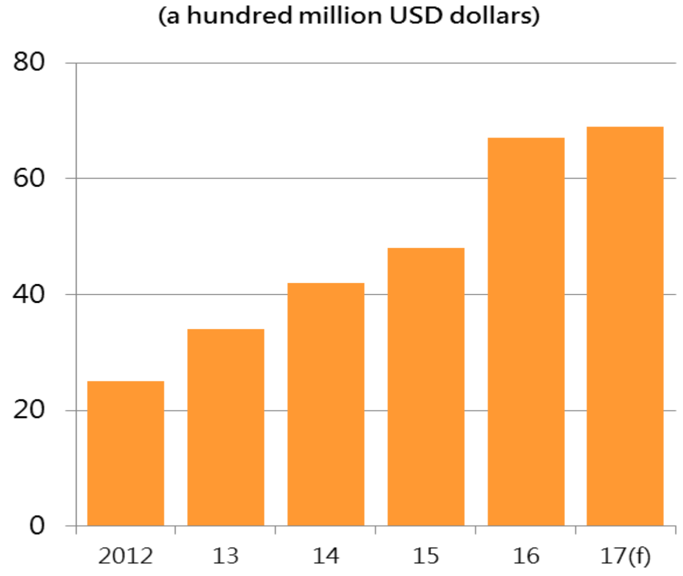
According to the opinions from Robert Maire, who is an analyst of Semiconductor Advisors LLC the consulting company for Semiconductor Industry, Mainland China is likely to pour many more expenditures into wafer facilities than Taiwan and South Korea do; it will not only jump to be the key location for the production of first-line semiconductor worldwide, but also has the possibility of creating new record of greatest expenditures in single region.

Table 15: Table of the Construction Plans of New 12"FAB in Mainland China During Recent Years

Company	Location	Product Type	Construction Commencement	Investment Time
NPI	Chongqing	Power Discrete Devices	Not yet	Not yet
JHICC	Fujian	DRAM	2016	2018
GigaDevice	Hefei	DRAM/Flash	Not yet	Not yet
Global Foundries	Chengdu	Wafer Foundry	2017	2018/2019
HLMC	Shanghai	Wafer Foundry	2016	2018
Powerchip	Hefei	Wafer Foundry	2015	2017
Samsung	Xi-an	3D NAND (2nd Phase)	Not yet	Not yet
SMIC	Beijing	Wafer Foundry	2016	2018
	Shanghai	Wafer Foundry	2016	2018
	Shenzhen	Wafer Foundry	2016	2018
HIOM	Neijing	CMOS image sensor	Not yet	Not yet
Tsinghua Unigroup	Chengdu	Wafer Foundry	Not yet	Not yet
	Neijing	DRAM	Not yet	Not yet
TSMC	Neijing	Wafer Foundry	2016	2018
UMC	Xiamen	Wafer Foundry	2015	2016
YRST/ Wuhan Xinxin	Wuhan	3D NAND	2016	Not yet
Source of Data: SEMI, February 2017				

Source : SEMI, February 2017

Figure 18, Sales Amounts of Semiconductor Equipment in Mainland China during Recent Years



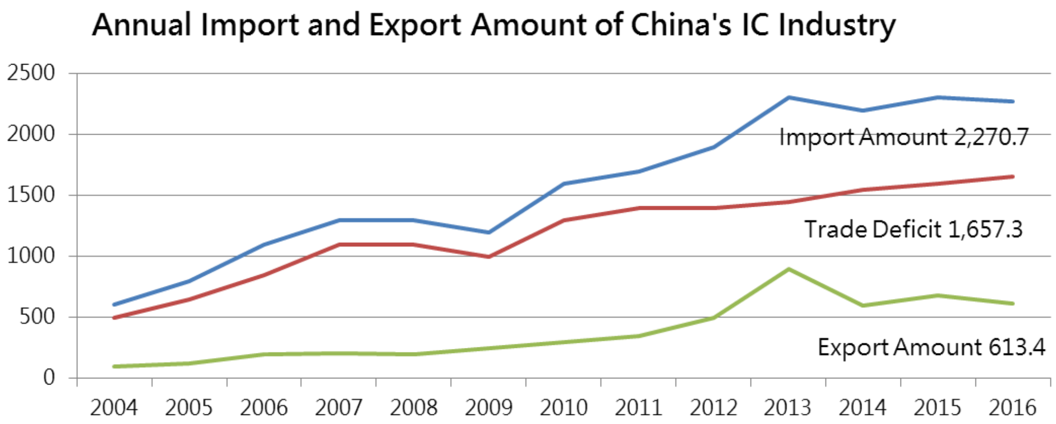
Source: SEMI, February 2017

Due to the increase of newly-constructed wafer fabrications in Mainland China, important market opportunities are also available for suppliers regarding semiconductor equipment, materials, services and critical systems.

According to the data announced previously by Semiconductor Equipment and Materials International (SEMI), there has been continuous escalation regarding the proportion rates of both Mainland China's sales amount of semiconductor equipment and its total global sales amount during recent years. Take the year of 2016 as the example. Mainland China's sales amount of semiconductor equipment has accounted for 16.88% of global sales amount, which is secondary to those of Taiwan (28.34%) and South Korea (17.99%).

Figure 19: Statistics of Annual Import Amount of China's Integrated Circuit (IC)

Unit: A hundred million of USD Dollars



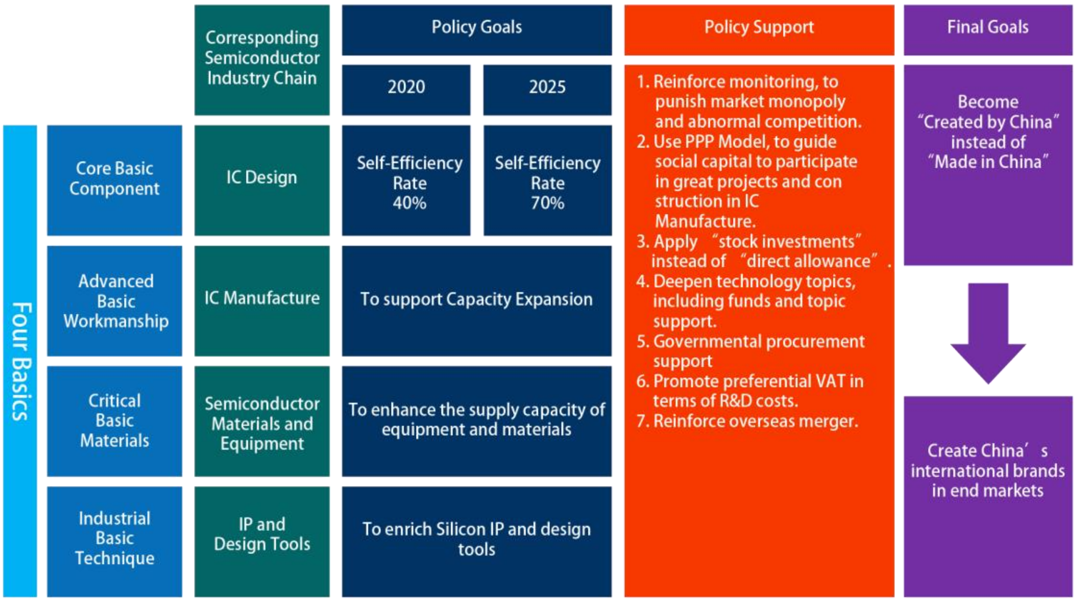
Source: China Chamber of Commerce for Machinery and Electronic Products Import and Export (CCCME), February 2017

According to the statistics from China Customs, the import of Mainland China's Integrated Circuit (IC) reached USD 227 billion in 2016, a year-on-year drop of 1.2%; however, its import amount had exceeded USD 200 billion for 4 years in a row. In 2016, the oil import amount in our country reached USD 116.468 billion.
In 2016, the trade deficit in China's Integrated Circuit (IC) products was USD 165.7 billion, an expansion of USD 4.9 billion compared with that of 2015, also a continuous expansion for 9 years in a row. The export amount of Integrated Circuit (IC) reached USD 61.3 billion.
More than half of the import amount of China's Integrated Circuit (IC) was from Taiwan and South Korea, in which the import from Taiwan was USD 72.9 billion, accounting for 32% of import share, while the import from South Korea was USD 52.3 billion, accounting for 23%. The proportion rates of the imports from Malaysia, Japan, and USA were respectively 11%, 6% and 3.9%.

China government has been enforcing remarkable and effective guidance models. In order to carry out the intended goals in the guidelines, National Integrated Circuit Industry Investment Fund Corporation (CICIIF) provides the first-round fund approximating to USD 20 billion. However, according to market estimation, the total investment amounts from local governments and national enterprises will exceed USD 100 billion for the first round. As of September 2016, among the funds of USD 10 billion ratified by CICIIF, about 60% of them were poured into wafer fabrication, 27% into wafer design, 8% into packaging and testing, and 3% into equipment; the proportion rate of material investment accounted for 2%.

The estimation indicates that the majority of wafer foundry factories will put into production by 2020. Although a large majority of factories have workmanship unable to achieve the world-leading class within a very short period time, however, the newly-added capacities of 12"FAB and 8"FAB will cause certain impact on the existing market of wafer foundry factory before 2020. In terms of the second-round investment as of 2025, much more advanced techniques and workmanship will be poured into focal points, based on the successful experiences in the market.

Figure 20: "Made in China"— Mainland China's Policy Goals and Policy Supports for Semiconductor Industry



Source: <<Guideline for the Promotion of the Development of the National Integrated Circuit Industry >>, June 2014; in terms of preferential financial tax policies for Semiconductor Industry, the central government mainly continues using the Nationally-Issued Article No.4 (2011) and Financial-Tax (2012) Article No. 27 during the "12th Five Year Plan period".

The foregoing figure shows that the most important policy goals in the "13th Five Year Plan period" are : the self-sufficiency rates of domestic core basic components and key basic materials will reach 40% in 2020, which will be escalated gradually to 70% in 2025. However, according to the fact that the self-sufficiency rate of domestic IC market was less than 20% in 2015, domestic IC design enterprises need to pour many more R&D efforts into critical core products during the "13th Five Year Plan period", in addition to the necessity for substantial expansion of the capacities of Wafer Foundry and Packaging and Testing.

Table 16: Situation of Overseas Wafer Fabrications Going to Make Investments in China During Recent years

Wafer Fabrications	Location	Amount	Process and Scale
Global Foundries SMIC Semiconductor	Chengdu	USD 9 billion; GF accounts for 51% of stock shares	Two phases of 12”FAB. First Phase: 0.18um and 0.13um. Technology transfer from GF Singapore. Expected capacity: 0.2 million per month, in the end of 2018. Second Phase: 22nm SOI workmanship. Transfer from German FAB since 2018. Put into production since 2019. Capacity in the latter half of 2019: 0.65 million chips per month.
Samsung	Xi'an	About KRW 5000 billion of investments (About USD 4.35 billion)	Second 12”FAB For the production of 3D NAND Flash
Hynix	Wu-Xi	Investments in 5 periods of significant constructions; total investment amount is USD 10.5 billion	Maximum capacity of 0.13 million per month at present, accounting for half of the DRAM capacity in SK Hynix. Investment of KRW 950 billion (about USD 0.893 billion) in July 2017, to expand the clean-rooms in C2 Factory in WuXi. China, for enlarging DRAM capacity. Completion achieved in April 2019, to contribute capacity.
UMC	Xiamen, Fujian	Pour in USD 1.35 billion within 5 years since 2015	Introduction of UMC’s 55 and 40 nano mass production techniques. Total capacity planned: 0.5 million pieces of 12” Wafers per month.
UMC	Puhua, Fujian	Investment amount of USD 5.3 billion	12”DRAM factory; introduction of 32 nana process in the initial stage. Planned capacity: 0.6 millions of pieces per month; pilot-run production in September 2018.
TSMC	Nanjing	Total investment is about USD 3 billion	12”FAB completion by the end of 2017. Mass production of 16 nano since the latter half of 2018. Planned capacity: 0.2 millions of pieces per month. Expected capacity achieved in 2019.

Source: Each company; arranged by Digitime, February 2017

According to the statistics from China Semiconductor Industry Association, the sales amount of China's Integrate Circuit Industry reached 433.55 billion in 2016, a year-on-year increase of 20.1%, in which the design industry has been growing rapidly and its sales amount was 164.43 billion, a year-on-year increase of 24.1%. Driven by the full capacity and the expansion of domestic chip production lines, the Manufacture Industry still grew rapidly in 2016, with a year-on-year increase of 25.1% and its sales amount was 112.69 billion of dollars; the sales amount of the Packaging and Testing Industry was 156.43 billion of dollars, a year-on-year increase of 13%.

Table 17, 2016 China's Top Ten Integrated Circuit Design Business

Ranking	Enterprice	2016 Annual Sales (Billion)
1	HiSilicon Technologies Co., Ltd.	30.3
2	Tsinghua Unigroup	12.5
3	Sanechips Co., Ltd.	5.6
4	Huada Semiconductor Co., Ltd.	4.76
5	State Grid Corporation of China (SGCC)	3.56
6	Shenzhen Huiding Technology Co., Ltd.	3
7	Hangzhou Silan Microelectronics Co., Ltd.	2.76
8	Datang Semiconductor Design Co., Ltd.	2.43
9	FocalTech Systems Co., Ltd.	2.35
10	Vimicro Co.	2.05
* Including Montage Technology., Centec Networks (Su Zhou), FeiTeng, Chengdu Sino Microelectronics Technology, Huada Empyrean Software sales data.		

Source: CSIA, 2017/03

Table 18, 2016 China's Top Ten Semiconductor Manufacturing

Ranking	Enterprice	2016 Annual Sales (Billion RMB)
1	SAMSUNG (China)	23.75
2	SMIC	20.22
3	SK hynix (China)	12.27
4	China Resources Microelectronics Limited	5.67
5	ShangHai HuaHong (Group).	5.02
6	Intel (Dalian)	4.58
7	TSMC (China)	3.96
8	Shanghai Huali Microelectronics Corporation	3.03
9	Xi'an Microelectronics Technology Institute	2.5
10	HeJian Technology (SuZhou) Co., Ltd.	1.75

Source: CSIA, 2017/03

Table 19, 2016 China's Top Ten Semiconductor Packaging & Testing

Ranking	Enterprice	2016 Annual Sales (Billion RMB)
1	Jiangsu Changjiang Electronics Technology Co., Ltd	19.3*
2	Nantong Huada Microelectronics Group Co., Ltd.	13.57**
3	RFMD (Beijing)	8.3
4	Tianshui Huatian Technology Co., Ltd.	6.66
5	NXP Semiconductors	5.89
6	Intel Products (Chengdu) Ltd.	3.97
7	Hitech Semiconductor (Wuxi) Co., Ltd.	3.24
8	Shanghai Kai Hong Electronic Co., Ltd.	3.04
9	Amkor Assembly & Test (Shanghai) Co., Ltd.	3.01
10	Sandisk Semiconductor (Shanghai) Co., Ltd.	2.76
*Including STATS ChipPAC sales data. **Including AMD (SuZhou), Malaysian Factory sales data.		

Source: CSIA, 2017/03

Table 20, 2016 China's Top Ten Semiconductor Power Devices

Ranking	Enterprice
1	SINO-MICROELECTRONICS
2	Yangzhou Yangjie Electronic Technology Co., Ltd.
3	Suzhou Good-Ark Electronics Co. Ltd.
4	Wuxi China Resources Huajing Microelectronics Co., Ltd.
5	WeEn Semiconductors
6	Changzhou Galaxy Microelectronics Co., Ltd.
7	Beijing Yandong Microelectronic Co., Ltd.
8	CHINA ZHENHUA（GROUP）SCIENCE& TECHNOLOGY Co., Ltd.
9	Wuxi Nce Power Co., Ltd.
10	Shenzhen Si Semiconductors Co., Ltd.

Source: CSIA, 2017/03

Table 21, 2016 China's Top Ten Semiconductor MEMS

Ranking	Enterprice
1	Goertek Inc.
2	AAC Technologies (Shenzhen)
3	MEMSIC, Inc (Wuxi)
4	Senodia Technologies (Shanghai) Co. Ltd.
5	Hebei Mattel Electronic Technology Ltd.
6	MicroArray Co. Ltd.
7	MEMSensing Microsystems (Suzhou, China) Co., Ltd.
8	MiraMEMS Sensing Technology Co., Ltd
9	NeoMEMS Technologies Inc.
10	Consensic, Inc.

Source: CSIA, 2017/03

Table 22, 2016 China's Top Ten Semiconductor Materials

Ranking	Enterprice
1	Zhejiang Jinruihong Technologies Co., Ltd.
2	Nanjing Guosheng Electronic Co., Ltd.(GSEC)
3	Konfoong Materials International Co., Ltd.(KFMI)
4	GRIKIN Advanced Material Co., Ltd.
5	Beijing Doublink Solders Co., Ltd.
6	Shanghai Sinyang Semiconductor Materials Co., Ltd.
7	Anji Microelectronics (Shanghai) Co., Ltd.
8	GRINM Semiconductor Materials Co., Ltd.
9	Hubei Sinophorus Electronic Materials Co., Ltd.
10	Jiangyin Jianghua Microelectronics Materials Co.,Ltd.

Source: CSIA, 2017/03

Table 23, 2016 China's Top Five Semiconductor Devices

Ranking	Enterprice
1	CETC Electronics Equipment Group Co., Ltd.
2	NAURA Technology Group Co., Ltd.
3	AMEC (Shanghai)
4	Shanghai Micro Electronics Equipment (Group) Co., Ltd.
5	Shenyang Piotech Co.,Ltd

Source: CSIA, 2017/03

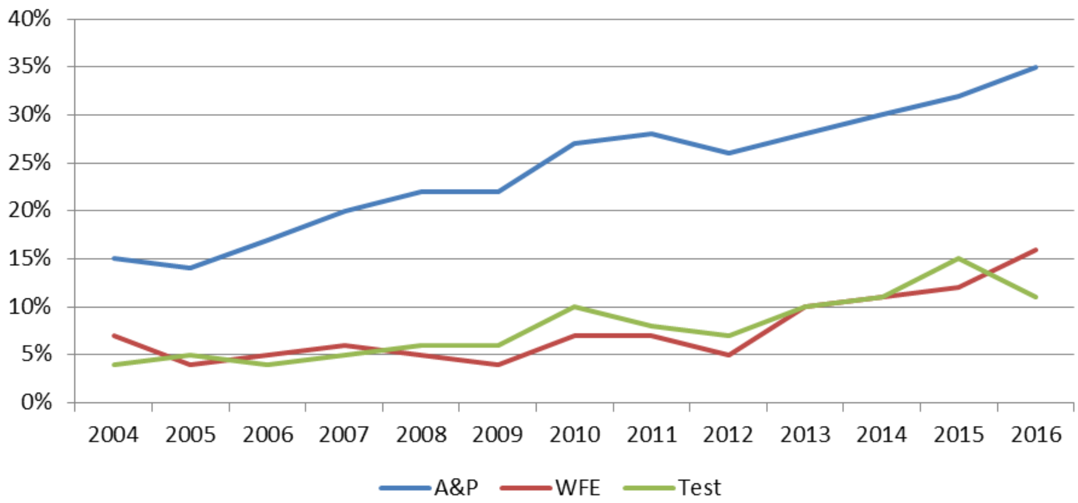
According to the latest statistics from Semiconductor Equipment and Materials International (SEMI), there is a huge trend of wafer fabrication construction in Mainland China at present. It is estimated that the expenditure amount of wafer fabrication construction in Mainland China will exceed USD 4 billion in 2017, accounting for 70% of the total expenditure amount of wafer fabrications worldwide.

When the year of 2018 comes, the expenditures related to wafer fabrication construction in Mainland China will grow to be USD 10 billion, in which wafer foundry will account for more than half of its total expenditures.

According to the industry research report made by SEMI aiming at China and Taiwan regions, the output value of global semiconductor industry is expected to reach an yearly growth rate of 7.2% in 2017,

Among all, memory will be the key to such growth. Within the 5 coming years in the future, semiconductor industries worldwide will continue to grow. In 2020, it will approximate to the market scale of USD 400 billion, and its Compound Annual Growth Rate will always be kept at a certain level.

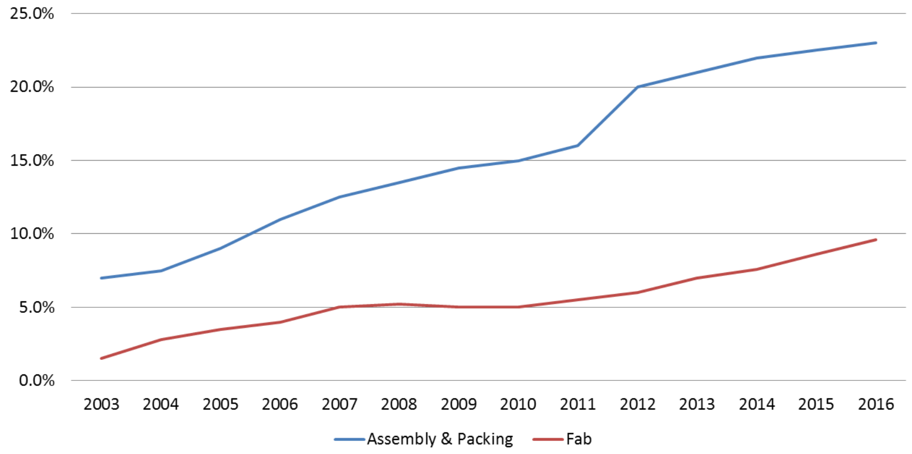
Figure 21: Top 3 Market Share in China's Semiconductor Equipment Market



Source: SEMI, 2016/11

In terms of 2017, Wafer Foundry and 3D NAND flash memory will account for the majority of the expenditures related to wafer fabrications. Among them, the expenditure of memory will reach USD 22.7 billion; the expenditure of wafer foundry will reach USD 14.5 billion.
In terms of DRAM, it is obvious that there won't be any newly-added capacity because vendors tend to change over to 2X Nano Process recently. It is estimated that there will be much more capacity output after 2018, when the techniques are changed over to 1X Nano Process.

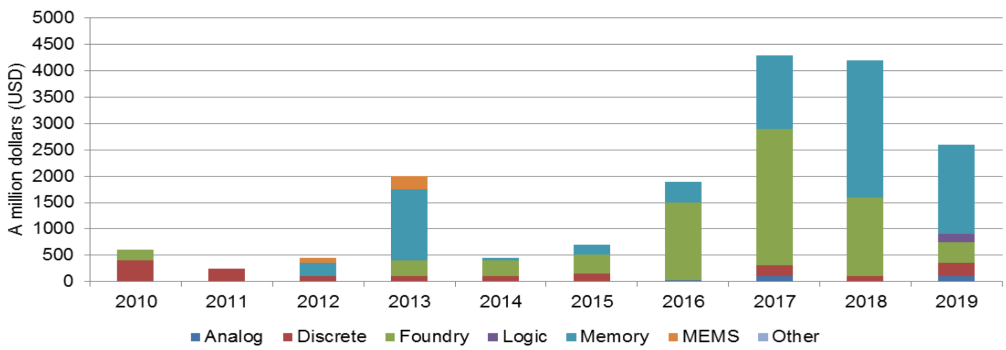
Figure 22: Market Share in China's Semiconductor Materials Market



Source： SEMI MMDS， December 2016

Besides, as for the development of China's Semiconductor Industry concerned by everyone recently, SEMI also indicated that Mainland China is one of the top 3 semiconductor equipment markets, secondary to Taiwan region and Japan only.
In 2016, the expenditure amount of wafer fabrication construction in Mainland China was approximately USD 2 billion. In 2017, the construction of new wafer fabrications will be continued. It is estimated that 20 wafer fabrications will begin to be constructed one after another. Thus, the expenditures of wafer fabrication construction in Mainland China in 2017 will exceed the record " USD 4 billion" at a heat, accounting for 70% of global proportion.

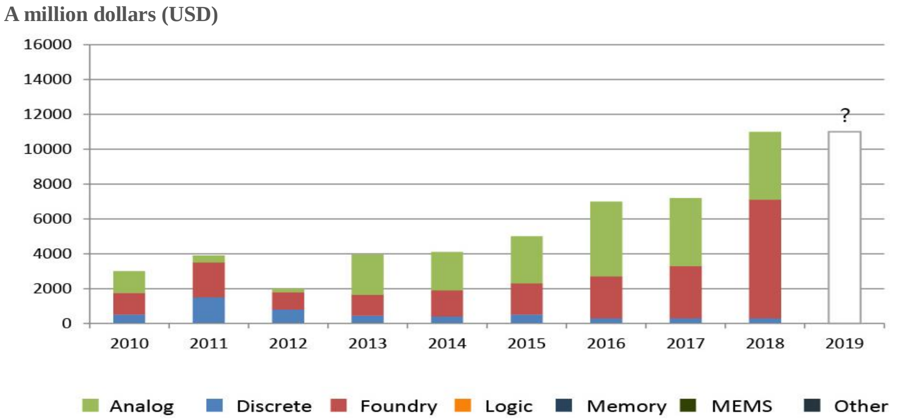
Figure 23: Expenditure of Wafer Fabrication Construction in Mainland China



Source： SEMI， November 2016

SEMI also indicated further: By 2018, the investment amounts from Mainland China's enterprises will always be less than the expenditures from the semiconductor enterprises in Taiwan and South Korea.
However, after 2019, there will be leapfrogging growth in the investment amounts from Mainland China's native vendors, which will exceed the expenditure amounts from foreign companies for the first time.
When the year of 2019 comes, in terms of global market share, the capacity of Mainland China's semiconductor will increase and escalate to be at the scale of 17%, from the previous 12% in 2016. Thus, its status in global semiconductor industry will be enhanced gradually.

Figure 24: Expenditures of China's Wafer Fabrications Wafer Foundry OEM and Memory Leaders

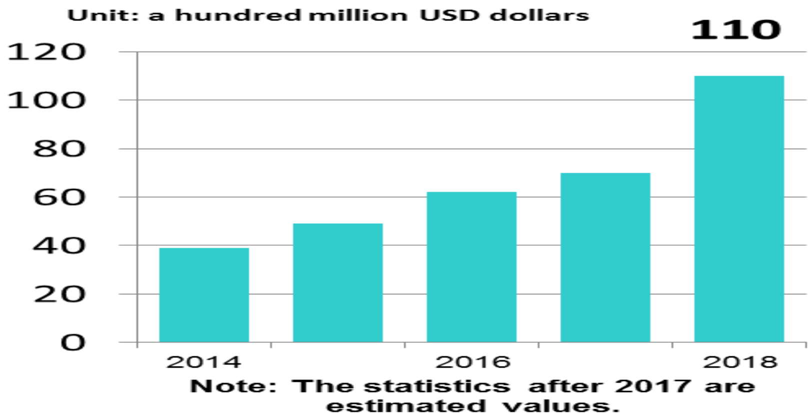


Source: SEMI , November 2016

According to the latest report made by SEMI on the day of 17th, it emphasized that the whole capacity of Taiwan's Semiconductor Industry, which is led by TSMC, will account for more than 20% of the global market shares. Taiwan will exceed Japan formally next year, becoming the largest manufacture center in the world.
According to SEMI, Mainland China has been actively establishing its capacity of wafer fabrication. Last year, its global proportion of front-end wafer foundry equipment investment had increased to be 19%, while the expenditure amount of wafer fabrication construction reached USD 2 billion. Relevant investment amounts are estimated to double to be USD 4 billion this year, accounting for 70% of the amounts of wafer fabrication construction worldwide this year.
According to the statistics, the expenditure amounts of wafer equipment and the amounts of factory construction investments have been growing rapidly in mid-China since 2012. In terms of its proportion of the global equipment investment amounts, its proportion has been escalating to be 7% all the way up, from the original 5%. As of the end of last year, China's investment amount of wafer equipment has accounted for 19% of global amounts.

According to SEMI, the estimation indicated that the expenditure amount of wafer fabrication construction worldwide this year might be a drop of 17-18% compared with that of last year. However, Mainland China has contrarian growth, showing its ambition to expand the scales of local wafer fabrications. In terms of the expenditure amount of wafer fabrication construction worldwide this year, Mainland China accounts for 70% of the entire proportion, based on a conversion. The expenditure amounts of local factory construction are estimated to grow continuously until next year.

Figure 25: Capital Expenditure of Mainland China's Wafer Fabrications



Source：SEMI，2017/01

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

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

Global shipments of LCD TV panels for 2016 fell 3.5% from the prior year to around 260.4 million units, according to the latest report by WitsView, a division of TrendForce. Major panel makers expanded their Gen-8.5 production capacity during 2016 in response to the rising demand for larger TV panels. The increased production in the large-size segments helped consume the overall panel capacity and increased the average size of TV panels by 2.2 inches to 43.6 inches. Shipments of TV panels by area therefore actually increased by 6.5% annually. WitsView expects the average size of TV panels to increase again in 2017.

LG Display (LGD) maintained its position as the leading supplier of TV panels with 52.94 million units shipped in 2016, a 4.3% drop versus 2015 and invested heavily in expanding the capacity of its Gen-8.5 fab in Guangzhou, China in 2016. In addition, the panel maker also adjusted the product mix for its Gen-8.5 capacity as a whole, expanding the share of the 55-inch production while reducing the share of the 32-inch single-cut production.

Though the product mix adjustment resulted in an annual decline in unit volume, shipments by area rose 5.3% compare with 2015. LGD moreover posted significant increases in large-size segments during 2016, with the combined shipments of 60- and 65-inch products soared by 98% annually. This reflected the continuing trend of demand shifting towards larger sizes.

Samsung Display (SDC) shipped a total of 46.8 million units of TV panels in 2016, representing an annual decrease of 8.1%. Though SDC was second in the ranking, its TV panel shipments fell significantly because of the challenges involving the adoption of the Black Column Spacer (BCS) technology during the first half of 2016. Furthermore, SDC closed its LCD fab L7-1 at the end of 2016 with the intention to refurbish the plant for the manufacturing of AMOLED panels used in smartphones. This move not only caused decline in TV panel shipments for SDC but also created anxiety over the supply of panels sized 40 to 43 inches. The urgency to stock up on products belonging to this size range appeared last year and will continue well into 2017.

BOE Technology (BOE) posted an annual increase of 22.4% in its TV panel shipments for 2016, amounting to 43.64 million units. The panel maker achieved impressive shipment growth for the second consecutive year and surpassed Innolux to take the third place in the annual ranking for the first time. In 2016, BOE significantly increased the capacity of its Gen-8.5 fab in Chongqing, China. While some of the added capacity in the Chongqing plant was for notebook panels, much of it was used to raise the share of 49- and 55-inch TV panels in the overall product mix. BOE’s shipments by area therefore grew considerably as well, with the annual rate reaching 33.5%.

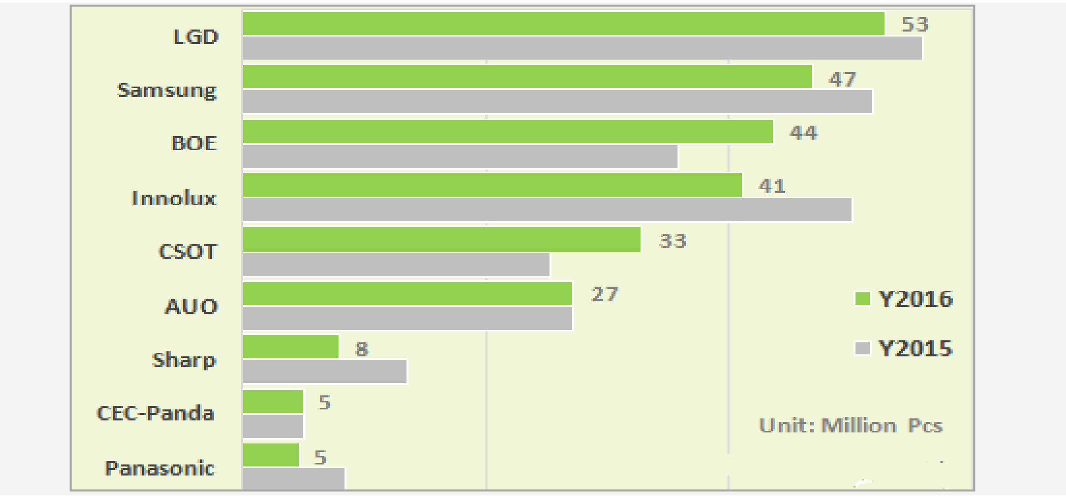
TV panel shipments from Innolux in 2016 fell by 19.3% to 41.73 million units. Innolux’s TV panel ranking tumbled from second place in 2015 to fourth place for 2016 because there was no major order for its 23.6-inch panels and the February earthquake in southern Taiwan interfered with the company’s original production and shipment plans. However, Innolux has increased the share of large-size segments in its product mix so that it can main profitability with limited production capacity. Hence, Innolux’s TV panel shipments by area fell by just 6.3% compared with 2015.

China Star Optoelectronics Technology (CSOT) shipments grew 29.7% annually in 2016 to reach 33.09 million units. In addition to raising its Gen-8.5 capacity, CSOT since 2016 also started to focus on shipping large-size products. Thus, shipments of its 49- and 55-inch panels took off, respectively registering annual increases of 126% and 115% in unit volume. CSOT moreover posted the largest increase in shipments by area compared with other TV panel suppliers with annual growth rate at 55.3%.

TV panel shipments from AU Optronics (AUO) reached 27.22 million units in 2016, amounting to a marginal increase of 0.2% in unit volume but a significant increase of 10.7% in area compared with the prior year. AUO managed to raise the production capacity of its fab L8B, which is assigned to make panels for large-size TVs and special high-end displays. AUO moreover boosted TV panel shipments by changing the product mix of its Gen-6 TV panel capacity. More weight was given to the 65-inch products, and this in effect reduced the share of Gen-6 capacity used for the 32- and 39-inch products. Consequently, AUO’s unit shipments increased slightly but area shipments posted a much larger annual gain.

WitsView estimates that TV panel shipments for 2017 will reach 257.8 million units. The supply for products in the 40- to 45-inch range will be tight through 2017 as South Korean panel makers phased out a few of their fabs. Furthermore, Sharp has stopped supplying panels from its Gen-10 fab in Sakai, Japan, to competing brands. Samsung Electronics, which is Sharp’s largest client and accounts for 40% of its LCD panel shipments, will be forced to search for other supply sources. WitsView anticipates that Samsung Electronics will be demanding 65- and 75-inch panels in the near future because it no longer can obtain the usual 60- and 70-inch products from Sharp. Other TV brands will also be compelled to use larger panels. Consequently, the average size of shipped TV panels in 2017 is projected to grow by nearly 2 inches to 45.4 inches, and the annual increase in shipped area for this year is estimated at 7.6%.

Figure 26: Global LCD TV Panels Shipments Quantity by Supplier, 2015 ~ 2016



Source：CINNO Research，2017/02

Global shipments of LCD TV sets for 2016 increased 1.6% annually to reach 219.2 million units, according to WitsView. Shipment growth was attributed to the strong sales in North America's distribution channels during the busy season, the increasing affordability of large-size TVs and the robust housing market in China. The top five TV brands by shipments in order are Samsung, LG Electronics (LGE), Hisense, TCL and Sony.

South Korea's Samsung and LGE again took first and second in the annual ranking with 47.9 million and 28.2 million TV sets shipped, respectively.

Samsung posted flat annual growth for 2016 as it experienced shortages for mid-size panels through the year according to WitsView. Samsung's TV set shipments were especially affected by the earthquake in southern Taiwan last February and issues that its in-house supplier Samsung Display (SDC) had with the adoption of Black Column Spacer (BCS) technology.

LGE registered a 4.1% annual decline in its shipments mainly because of the change in the brand's strategic priority. After the reorganization of the group company at the beginning of 2016, LGE shifted its focus from expanding shipments to raising product margins and controlling its inventory level.

China's Hisense and TCL took the third and fourth spot in the annual ranking by increasing their shipments 3.9% and 0.8% respectively, reaching 13.3 million and 13.2 million units. Both brands relied on overseas markets to boost their shipments due to the gradual saturation of the domestic market. Competition in China will become more intense as Internet brands offer high-specification products at reduced prices to take market shares away from local second- and third-tier brands. With survival at stake, major domestic brands will grow even larger and push smaller competitors out of the market.

Sony ranked fifth in annual shipments with 11.7 million units, down 3.7% from 2015. Large-size TV sets for the high-end segment will remain central to Sony's strategy in 2017. Sony is also going to introduce OLED TVs with advanced in-house video and audio technologies. Sony has not featured OLED in its TV offerings since 2007. The latest OLED models are expected to spearhead a major campaign in the high-end market for the brand.

Going into 2017, the market dynamics will be influenced by the closure of SDC's L7-1 fab and Sharp's decision to not use its Gen-10 plant to supply other first-tier brands. WitsView expects TV makers will increasingly focus on developing and promoting higher-margin products such as models featuring huge 4K displays. Consequently, the average size of TV sets will expand significantly as well.

WitsView's latest analysis puts global LCD TV shipments for 2017 at 225 million units, an increase of 2.6% from 2016. Models sized 50-inch and larger will make up nearly 30% of total shipments for this year, while the share of UHD-resolution products in total shipments will reach 31.5%. The high-end segment will be a highly contest area for major brands. Samsung has recently launched its Quantum Dot (QD) TVs to compete against LGE's OLED products. From the design perspective, bezel-less and detachable models are some of the novel concepts that the market can expect this year in addition to ultra slim models.

Table 24: Global Ranking of Branded LCD TV Vendors by Shipments, 2015~2016

Company	2015		2016		YoY
	Rank	Shipments	Rank	Shipments	
Samsung	1	47.9	1	47.9	0.0%
LGE	2	29.4	2	28.2	-4.1%
Hisense	4	12.8	3	13.3	3.9%
TCL	3	13.1	4	13.2	0.8%
Sony	5	12.1	5	11.7	-3.7%
Others	100.4		105		4.5%
Shipment Total (in Million Units)	215.7		219.2		1.6%

Source: WitsView, Feb., 2017

WitsView estimates that worldwide shipments of LCD TV panels for 2017 will total 255.6 million units, down 1.8% in unit volume from 2016. This year's increase in the average size of TV panels, however, will lead to an annual growth of 7.3% in total shipment area.

WitsView points out that panel makers have shifted towards larger sizes for the TV market because of two major factors. First, the market supply of 55-inch TV panels are plentiful, so panel makers need to move up the size brackets to differentiate themselves. Second, high panel prices are squeezing margins of TV sets. International TV brands therefore switched to promoting larger and high-end models (e.g. 65- and 75-inch TV sets) that can generate more profits.

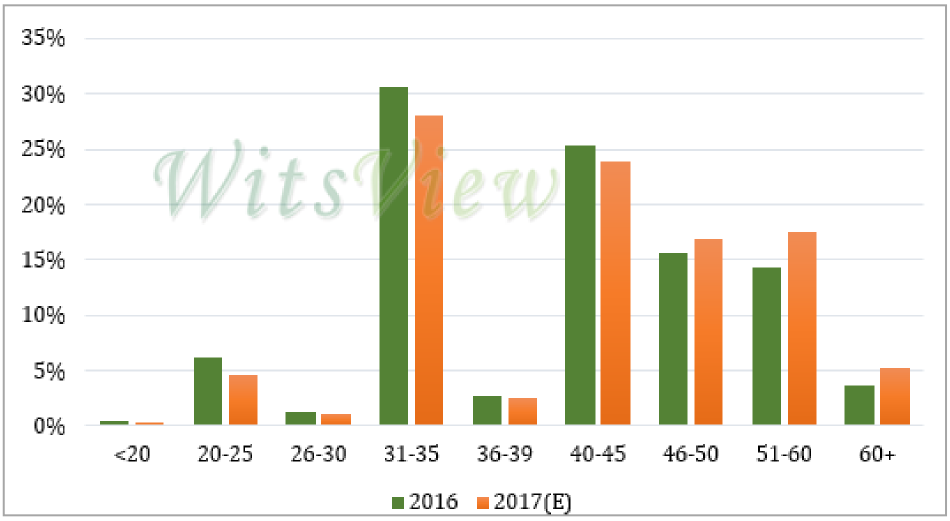
Due to the above factors, TV panels sized larger than 60 inches are projected to account for 5.2% of the total TV panel shipments for 2017, an increase from last year's share of 3.6%. Moreover, the average size of TV panels will expand by 2 inches this year to 45.5 inches.

WitsView estimates that 75-inch TV panels will reach 1.5 million units in 2017, more than doubling last year's volume of 0.7 million units with the annual growth rate reaching 114%. Currently, there are just four suppliers of 75-inch panels from South Korea and Taiwan. Major South Korean panel makers have the advantage of being supported by their respective group companies are expected to take more than 70% of the global shipment share for this year. Taiwanese panel industry is trying to catch up in the production of 75-inch panels but its share in the total shipments is projected to be under 30%.

South Korean and Taiwanese panel makers are also increasing the share of the 65-inch segment in their product mixes due to the general upswing in prices. WitsView estimates that total shipments of 65-inch TV panels for this first quarter will enjoy a leaping year-on-year growth rate of 104%, from 1.1 million to 2.2 million units. The panel industry is expected to take on additional production capacity for the 65-inch segment, and annual shipments are projected to reach 11 million units, up 45% from last year’s total of 7.6 million units.

WitsView notes that 65-inch panel shipments from Samsung Display (SDC) during in 2017 will be mainly going to its group company Samsung for strategic reasons. On the whole, South Korean panel makers are expected to expand their global shipment share of 65-inch panels to nearly 60% this year, whereas Taiwanese competitors are going to account for almost 40%. Around just 2% of the total 65-inch panel shipments for 2017 will come from Chinese manufacturers. Chinese panel companies will not begin to significantly raise their 65-inch panel production and catch up to South Korean and Taiwanese competitors until 2018, when their Gen-10.5 fabs are ready to operate.

Figure 27: Global Shipments of TV Panels by Size Brackets, 2016 ~ 2017



Source: WitsView, Mar., 2017

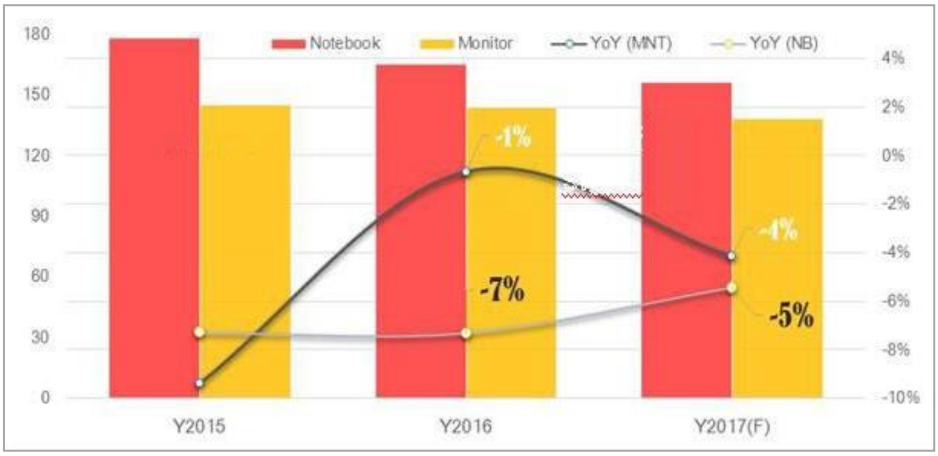
IT display panel market is composed of the monitor and notebook. The rise of small and medium-sized applications and the rise of mobile office grabed part market share of IT display panel, which made the demand in IT display panel downward.

According to Sigmaintell, the global shipments of IT display panel (including monitors and notebooks) for 2016 reached 310 million units, declined by 4.3% year-on-year. The shipments comprised of 140 million units of the monitors, retaining constant in growth year on year, and 170 million units of the notebooks, declined by 7.3% year on year.

Sigmaintell expects that the shipments of global IT display panels for 2017 will reach 290 million units, decliced by 4.9 percent year on year. The global demand in the IT display panel will go downwards but retain constant in growth year on year in terms of area.

Figure 28: Global Shipments of IT Panels, 2015~ 2017

Unit: Million, %



Source: ∑intell (群智諮詢), Mar., 2017

Worldwide notebook shipments (not including 2-in-1 devices) surpassed 40 million units in the fourth quarter of 2016, dropping only 1.2% on year. Shipments from Taiwan-based ODMs even achieved on-year shipment growth in the quarter thanks to strong demand from the US and Europe due to seasonality and US-based brand vendors expanding their presence in the market despite component shortages. In the first quarter, worldwide shipments will also enjoy on-year shipment growth as enterprises' adoption of Windows 10 grows steadily, while Microsoft's new free Windows licensing plan is growing popular among notebook vendors.

Hewlett-Packard (HP) was the largest vendor in the fourth quarter of 2016 and its shipments in the consumer and enterprise sectors as well as non-US markets all achieved better-than-expected results, allowing the vendor to widen its shipment gap with the second-place Lenovo to nearly two million units, according to Digitimes Research's latest figures.

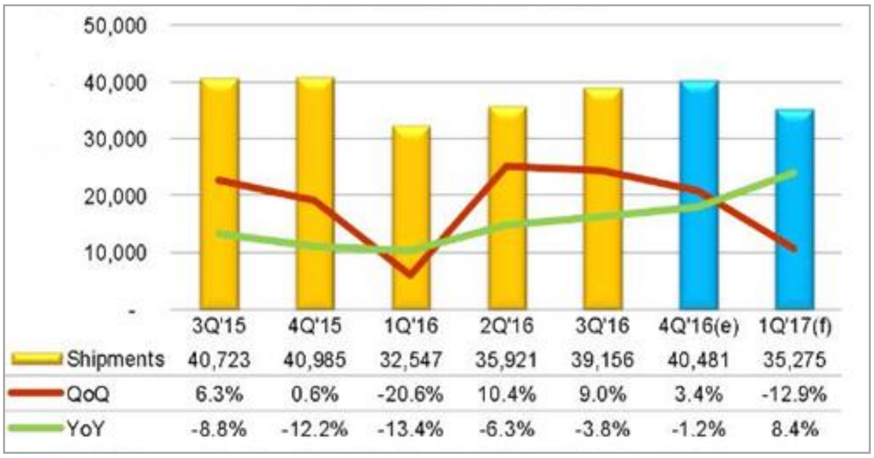
However, Lenovo is expected to be able to narrow the gap in the first quarter thanks to increased demand during the Lunar New Year holiday period. The third-largest Dell will see limited on-quarter drop in first-quarter shipments because of its Chromebook and enterprise product shipments.

Apple is expected to place strong orders in the first quarter as demand for its new MacBook Pro will remain strong. Asustek Computer and Acer's first-quarter shipments will both be impacted by seasonality.

As for ODMs, Compal Electronics' notebook shipments accounted for over 30% of Taiwan's overall volume in the fourth quarter of 2016 as the top-3 vendors all increased their orders to Compal. Quanta Computer saw its shipment share drop in the quarter because of decreased orders from Lenovo. Compal's shipment gap with Quanta is expected to shrink to below 300,000 units in the first quarter.

Figure 29: Global Shipments of Notebook, 2015 Q3~2017 Q1

Unit: Thousand



Source: DIGITIMES Research, Jan., 2017

As Samsung Display, LG Display and Japan Display have shut down mostly 5G to 6G TFT-LCD lines to gradually expand AMOLED production capacity since the beginning of 2015, global shipments of small- to medium-size LCD panels will continue decreasing from 2.647 billion panels in 2017 to 2.189 billion units in 2021, equivalent to a compound annual growth rate (CAGR) of -4.6% in the period, according to Digitimes Research.

Since China-based vendors' presence in the global smartphone market has been rising, China-based LCD panel makers' combined shipments of smartphone-use panels are on the rise and likely to surpass Taiwan-based fellow makers' in 2016 or 2017.

Samsung Electronics has adopted AMOLED panels for its flagship smartphones, and Apple is expected to launch a 5.8-inch OLED iPhone later in 2017, Digitimes Research indicated. In addition, Samsung Electronics and Apple may adopt OLED panels for tablets.

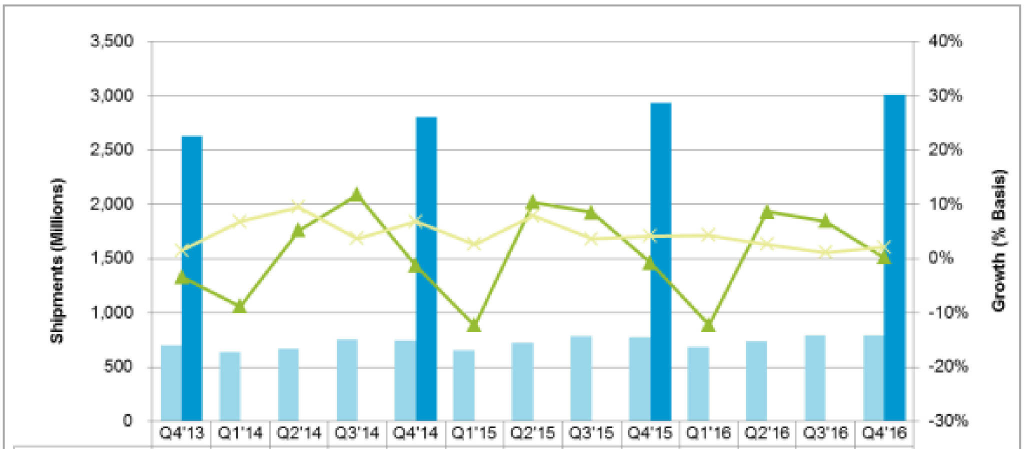
Samsung Display and LG Display, in view of large potential growth in demand, will continue their expansion of small- to medium-size AMOLED panel production, with combined annual capacity expected to reach 16.069 million square meters in 2020, 3.17 times the 5.067 square meters in 2016, according to Digitimes Research.

Since flexible AMOLED panels are used in curved-surface smartphones, and the proportion of these smartphones is on the rise, Samsung Display and LG Display are focusing their capacity expansions on small- to medium-size flexible AMOLED panels, with related combined annual production capacity to rise from 2.111 million square meters in 2016 to 11.784 million square meters in 2020.

China-based panel makers, in view of fast growing demand, will set up or expand production capacities for AMOLED panels, with eight factories to be completed or expanded in 2020, according to Photonics Industry & Technology Development Association (PIDA).

The combined capacity, even if fully utilized, will be far lower than Samsung Display's annual capacity of over 100 million glass substrates by 2020, PIDA indicated. Therefore, Samsung Display is expected to dominate global supply of AMOLED panels over the next 3-5 years, PIDA said.

Figure 30: Small Medium Display Net Shipment Forecast, 2013 Q4~2016Q4



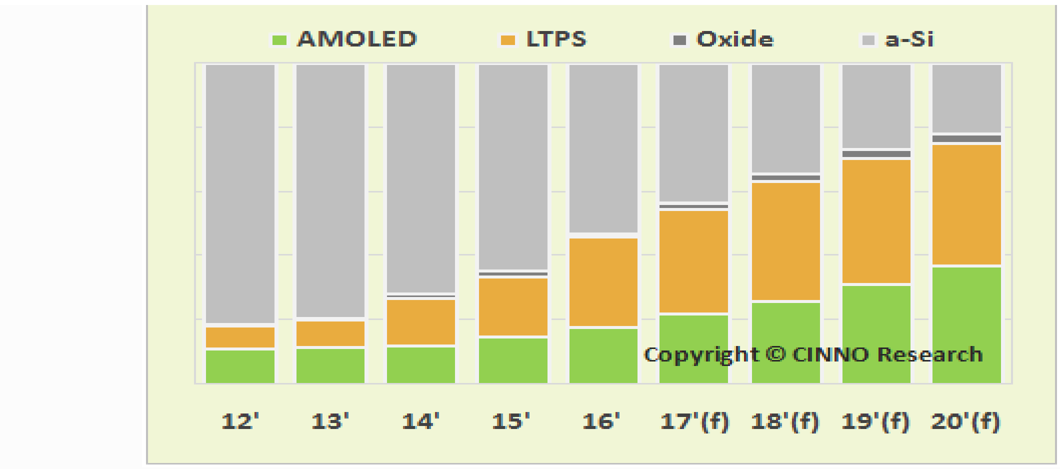
	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16
Shipments	697.7	636.7	668.8	755.8	745.6	653.7	721.6	783.1	776.8	681.8	740.6	791.6	793.1
Annual	2,627	0	0	0	2,807	0	0	0	2,935	0	0	0	3,007
Q/Q Growth	-3%	-9%	5%	12%	-1%	-12%	10%	9%	-1%	-12%	9%	7%	0%
Y/Y Growth	2%	7%	9%	4%	7%	3%	8%	4%	4%	4%	3%	1%	2%

Source: HIS Small-Medium Display Market Traker, Q1, 2017

2017 in the smart phone market highlights from the AMOLED, 3D double / quadrilateral surface, 3D glass back cover, full-screen mobile phones, fingerprint recognition, etc. Smartphone new technology and appearance of the progress, will make intelligent machine high-permeability area users At the same time, India, Africa and Asia-Pacific and other smart machine penetration continues to increase in the area, will still lead to a-Si-based entry-level intelligent machine market demand.With the intelligent machine shipments Volume and retention of the increase, the increase in brand concentration, the screen repair market demand has become a smart machine panel shipments can not be ignored an important part.

CINNO Research forecasts that global handset shipments of AMOLEDs are expected to grow by 46.3% year-on-year and 21.9% from a year earlier, driven by a new generation of iPhone and major brand support, while China's penetration 20.0% in 2016 rose to 24.6%.

Figure 31: Global Smarphone Display Technology Trend



Source: Cinno Research, Jan., 2017

With the Wuhan Huaxing 6 generation, the BOE Erdos 5.5 on behalf of the second phase, Xiamen Tianma 6 generations, AUO Kunshan 6 generation, JDI Baishan 6 generation, Qunnan 6 generations LTPS production capacity of the gradual release of next year LTPS products The market power will be greatly increased, resulting in a-Si products in the HD part of the pressure will be more into On-Cell and In-Cell products a large number of listed power.Therefore, CINNOResearch forecasts, 2017 global LTPS Mobile phone panel shipments or will significantly enhance the 38.2% market share from 2016 to 28.1% to 32.6%.

At the same time, because of the strategic cooperation between China Power Panda and Huaqiang, the gradual release of Sharp's operating management and the gradual adoption of Oxide technology in the global smart phone market in 2017 Than will be able to rise to 2.1%.

According to China OLED Display Industry Research and Investment Value Frecast Report, the global OLED market size will be soared by 32% and $ 19.2 billion. The shipments will also be increased up to 22% and 630 million units.

Apple will launch a 5.8-inch iPhone equipped with flexible AMOLED display and 4.7- and 5.5-inch iPhone models with LTPS TFT-LCD panels in 2017, resulting in large demand for flexible AMOLED panels, the sources said. In addition, China-based vendors, mainly Huawei Technologies, Oppo and Vivo, will launch smartphones with flexible AMOLED panels in 2017, Digitimes Research noted.

Except Samsung Display and LG Display, China-based panel maker - EverDisplay Optronics (Shanghai) and Visionox are installing production capacities for OLED, which will boom the amount of the AMOLED smarphone units up in 2017.

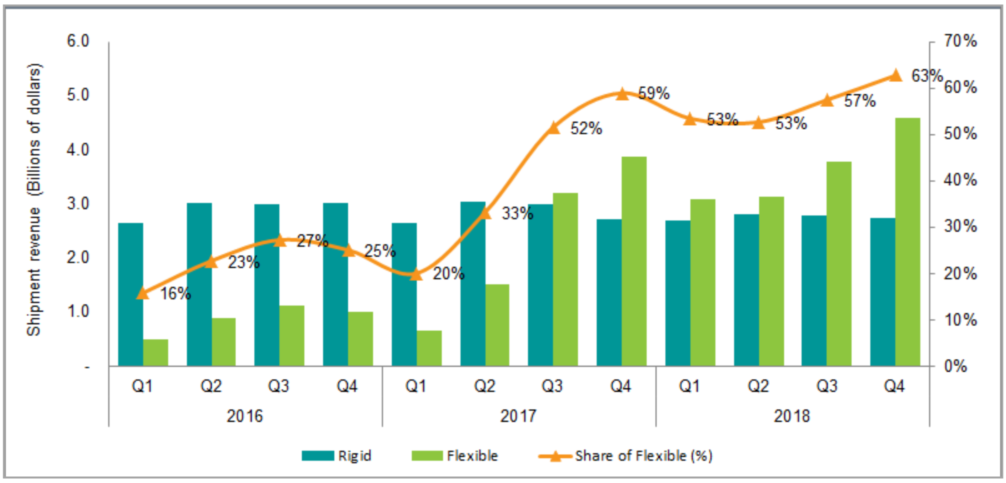
Digitimes Research has reported that an estimated 150 million flexible AMOLED panels for use in smartphones will be shipped globally in 2017, triple the shipments in 2016.

Samsung Display has dominated the global supply of smartphone-use AMOLED panels, however China panel makers - EverDisplay Optronics (Shanghai) and Visionox can cope with limited shipment units in 2017. Other than Apple and Samsung Electronics will be able to secure sufficient AMOLED panel resources, most of China smartphone makers will adopt the LCD panel insteads.

Samsung display in technology, investment, yield and other aspects continue to lead, to maintain its dominant position, almost swept all the OLED panel orders, as the biggest beneficiaries.

With the upgrade in technology, the improvement in the production yield and the integration in supply chains, OLED will progressively replace LCD and is expected to increase the market share of OLED TV from 5% to 8% in 2017 during the “51 Holidays” and “618 Electronic Promotion Period”.

Figure 32: Global AMOLED Shipment Revenue Forecast



Source: IHS Markits, Mar., 2017

In the market for smartphone displays, AMOLED is gaining more prominence as Apple and major brands fuel its demand and the overall production capacity for the display technology continues to expand. Under this context, WitsView projects that the share of AMOLED models in the annual global smartphone shipments will grow from 23.8% in 2016 to 27.7% in 2017. The production capacity of LTPS LCD panels is also increasing, and the global shipment shares of smartphones with LTPS LCD display is projected to advance from 31.5% in 2016 to 34.8% in 2017. As for the established a-Si display, the technology is gradually losing its position in market due to the competition from AMOLED and LTPS LCD. WitsView estimates that the global shipment share of smartphones featuring a-Si display will contract to 37.4% in 2017.

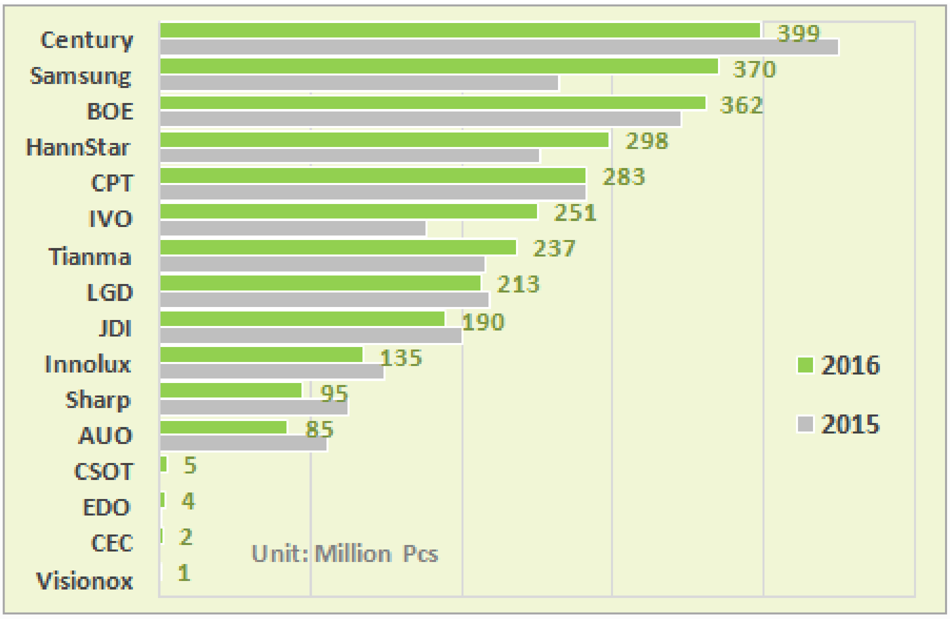
Samsung Display (SDC) this year will divide most its AMOLED panel capacity between its group company Samsung and Apple. The panel maker has very limited ability to satisfy the rising demand from other brands. Therefore, TrendForce believes that prices of AMOLED panels will most likely stay on an uptrend in the second half of 2017 because of persisting undersupply. On the other hand, prices of LTPS LCD panels for smartphones will begin to drop gradually starting in the second quarter on account of the overall production capacity expansion.

IHS Markit says that flexible display shipments (mostly OLEDs) will reach 139 million units in 2017 (or 3.8% of the total display market) - an increase of 135% compared to 2016 (59 million units).

The increasing demand for OLED in smartphones - especially for flexible OLEDs. It’s estimated that the market share of OLED technologies in the smartphone display market will rise from 16% in 2016 to 23% in 2017. The shipments of AMOLED display panel will acoount for 20% of the global shipments of OLED display panel as well.

According to CINNOResearch global quarterly mobile phone panel shipments monitoring statistical analysis report shows that in 2016 the global overall mobile phone panel shipments reached 2.93 billion, compared to 2015 growth of 4.9%, and more than the same period in 2015 growth of 1.2% in 2016, global Smart phone panel shipments of 21.1 billion, compared to 2015 growth of 16.4% more than expected, 2016 global functional mobile phone panel shipments of 820 million, down 16.1% year on year decline slightly lower than 2015.

Figure 33: Global Mobile Phone Display Shipment by Supplier, 2015~2016



Source: CINNO Research, Feb., 2017

Among them, the Foxconn Group, mobile phone panel manufacturers in deep ultra-photoelectric to 2015 with 400 million shipments once again become the world's largest mobile phone panel suppliers, the market share of 13.6%, but also to 37.7% market share is still The world's largest functional panel suppliers.

At the same time, Samsung to 370 million AMOLED panel shipments leapt to the world's largest smartphone panel suppliers, an increase of 39.6%, the market share of 17.6%, making AMOLED mobile phone screen in the global market share in the smart panel by 2015 14.7% to 17.8%.

The domestic panel companies BOE to 360 million in second place, the market share of 17.1%, while Kunshan Dragon photoelectric shipments of over 100 million in the largest growth rate of intelligent machine panel suppliers to 150 million shipments to achieve year on year 150.8% of the substantial growth.

According to CINNO Research, global feature phone LCD shipment in 2016 reached 840 million units, a 14.2% decline on year, which is lower than 16.8% decline rate in 2015. The feature phone LCD shipment is 28.6% of overall mobile phone panels shipment, which is a 6.6% decline on year.

Top 3 vendors still are Century, Hannstar and CPT, with Century leading the segment.

Century is ranked in the 1st place of the worldwide feature phone shipment units and followed by Hannstar which is the only vendor had significant increase in the shipment units soared to 43% year on year.

Figure 34: Worldwide Feature Phone Panel Shipment Quantity by Panel Makers, 2015~2016

Source: CINNO Research, Feb., 2017

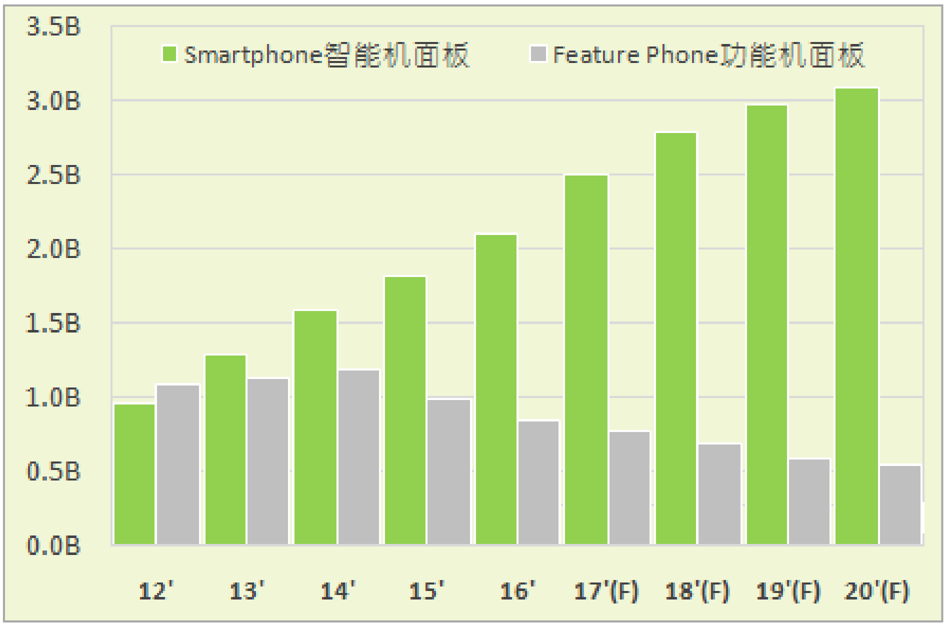
There is expected to be demand for replacing used smartphones in markets with high smartphone penetration and demand in 1.77- and 2 inch for entry-level smartphones growing fast in emerging markets, mostly in India, Asia Pacific, Latin America and Africa, in 2017. Cinno Research forecasts the global shipments of feature phone in 2017 will reach 780 million units, declined by 7% year on year.

The global smartphone production volume for 2016 grew 4.7% annually to reach 1.36 billion units in total, according to market research firm TrendForce. Samsung continued to top the annual global ranking despite the discontinuation of Galaxy Note 7, suffering a marginal decline of 3.3% compared with the 2015 figure. Chinese brands Huawei, OPPO and Vivo respectively occupied the last three spots in the global top five and followed closely behind the second-place Apple.

TrendForce points out that the total production volume of all Chinese brands for 2016 was 629 million units, surpassing the volume of 519 million units jointly from Apple and Samsung. Going forward, Chinese smartphone makers together are expected to account for around 50% of the global market in 2017, posing even greater challenges to other international brands.

Samsung had a difficult 2016 in the smartphone market and the company did not achieve its annual shipment target due to the fallout from the battery defect in Galaxy Note 7. Samsung's global market share also contracted steadily, from 28% in 2014 to 25% in 2015 and then to 23% by the end of 2016. Much of the market share loss was attributed to the stiff competition from Chinese brands across all market segments, from high-end to mid-range and low-end models. Samsung's production volume registered its second consecutive year of decline in 2016, falling by 3.3% compared with the prior year. Nonetheless, the brand was still the leader in the annual global ranking. TrendForce anticipates that Samsung's smartphone business will keep struggling this year as well and will likely post another drop in the annual production volume.

Figure 35:Worldwide Feature Phone vs. Smart Phone Panel Shipment Quantity by Panel Makers, 2012~2017



Source: CINNO Research, Feb., 2017

Foxconn and its Japanese subsidiary Sharp might build a factory in Zhengzhou, Henan Province, to make organic light-emitting diode panels. The plant would cost at least 100 billion yen ($854 million), and the panels would be slapped on iPhones.

Apple is expected to roll out OLED iPhones later this year, but Foxconn's competitor - Samsung Display will be the major OLED panel supplier to iPhone 8.

Foxconn already operates an iPhone assembly plant in Zhengzhou, Henan Province.

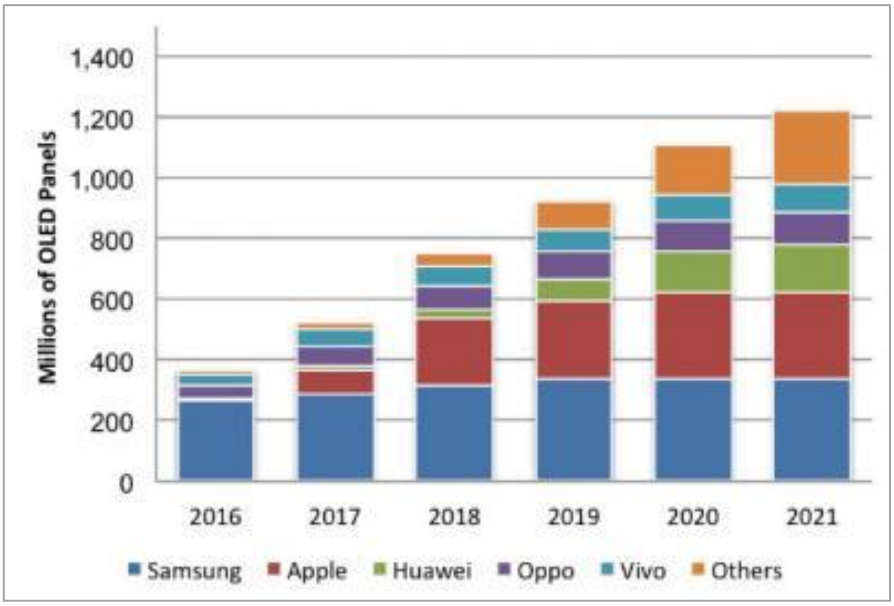
Making panels close to where iPhones are assembled will lower transportation and other costs, also allow Foxconn and Sharp to better compete against rival assemblers and parts makers.

Sharp has announced plans to spend 200 billion yen on its OLED panel business, including launching prototype lines in 2018 in locations such as its Sakai plant in Osaka Prefecture, western Japan.

Foxconn and Sharp were initially thinking of building an OLED plant in Japan but later shifted their focus to China in 2019, where local governments provide subsidies and other forms of support.

Foxconn acquired Sharp with JPY389 billion in April 2016, also established Sharp's subsidiary in Shenzen accordingly to integrate Sharp's panel business in China. The JPY200 billion is ernmarked for OLED technology, with production of small-size OLED panels for use in smartphone to kick off in 2018 to be Apple's 2nd OLED panel supplier, followed by medium- to large-size applications for tablets, notebook and TVs according to IDC analysis. Moreover, Foxconn and Sharp inveted a 10.5 gereration line in Guangzhouexpanded to expand their business in the display panels in China.

Figure 36: Global Shipment of Mobile OLED Panel by Moble Phone Brands, 2016~2021



Source: OLED-info, Mar., 2017

Driven by continued innovation in vehicle connectivity and safety technologies, the shipments of global automotive display has increased to 7.7% and reached 100 billion units in 2016. Moreover, PIDA expects that the shipment of global automotive displays in central information displays (CID), rear-view mirror displays (E-Mirror), back-seat entertainment displays (RSE) and heads-up displays (HUD) will retain a stable growth rate of 9% per annum for the future 5 years.

Automotive displays consist of central information displays (CID), rear-view mirror displays (E-Mirror), back-seat entertainment displays (RSE) and heads-up displays (HUD), PIDA indicated. It's expected that the automotive display market will go upwards in accordance with the increase in the installation of Advanced Driver Assistance Systems (ADAS).

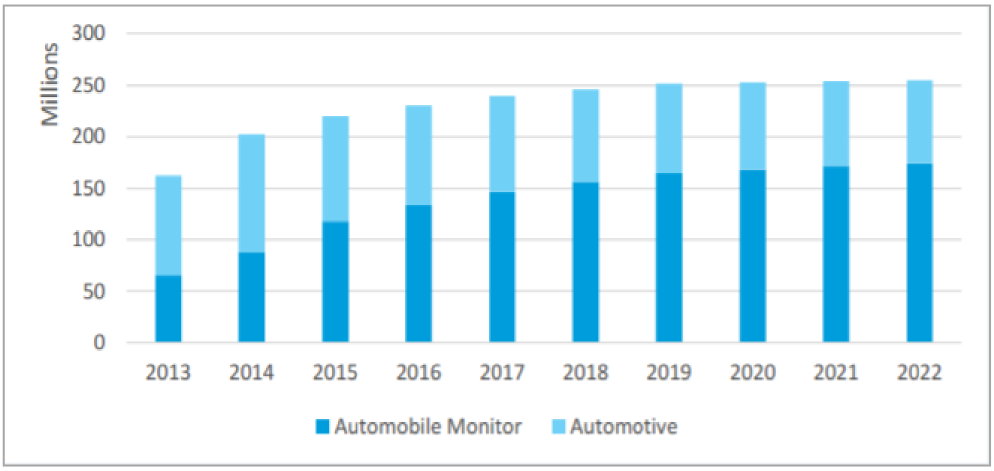
The global automotive market had more than 120 million vehicles in 2015, most of the vehicles were installed CID which is also the momentum for the growth of the automotive display, according to Yano Research Institute. The shipment of automotive display reached 94.64 million units (majorly in TFT LCD) in 2015, increased by 6.9% year on year. In 2016, global demand for panels used in automotive displays has reached 101.95 million units in 2016, increased by 7.7% year on year, according to PIDA.

For most automobiles, each is equipped with two panels, one for central information display and the other for rear-seat entertainment display. Many Europe-made high-end automobile models are additionally equipped with head-up displays. Beginning 2017, demand for display panels used in electronic rear-view mirrors is increasing because the US, Europe, Japan and South Korea have lifted bans on production of cars without rear-view mirrors (thus equipped with electronic rear-view mirrors).

CID and RSE will continue to drive the demand in the automotive display market. The installion of large sized HUD and electronic rear-view mirror will lead the trend after 2017.

Global demand for panels used in automotive displays is expected to keep increasing to 173.26 million units in 2022 and retain an average growth rate of 9% per anum within 2015 - 2022, according to PIDA.

Figure 37:Totlal Automotive Display Panel Moduel Market, 2013~2022



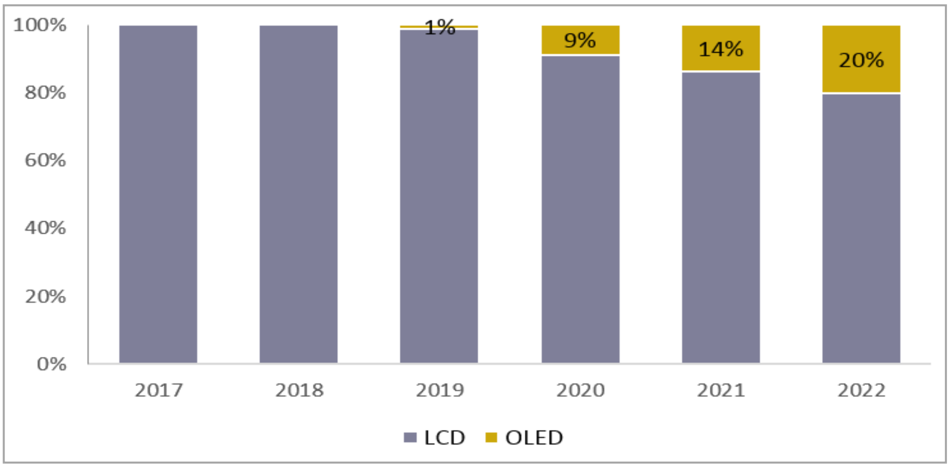
Source: IHS Markits, Q1, 2017

Panel makers are poised to produce plastic substrate-based OLED panels, but use of such panels in automotive displays is infeasible until there are clearer regulations. For use in automotive displays, OLED panels are quicker in response and less power-consuming than TFT-LCD panels. In addition, OLED panels are flexible to be suitable for in-car displays.

UBI Research says that automobiles will start adopting OLED displays "in earnest" starting in 2018 - for instrument cluster and infotainment displays. The automotive display market itself is expected to grow quickly (CAGR of about 17% from 2017-2022) as new technologies mean that displays in cars are getting more and more important.

UBI estimates the total automotive display market at $25 billion by 2022 - out of which OLEDs will account for about 20%, or $5 billion. The main challenge still facing massive OLED adoption, according to UBI, is the lifetime of AMOLED panels.

Figure 38: Penetration Rate of Global Automative OLED Display Panel, 2017~2022



Source: OLEDNet, Jan., 2017

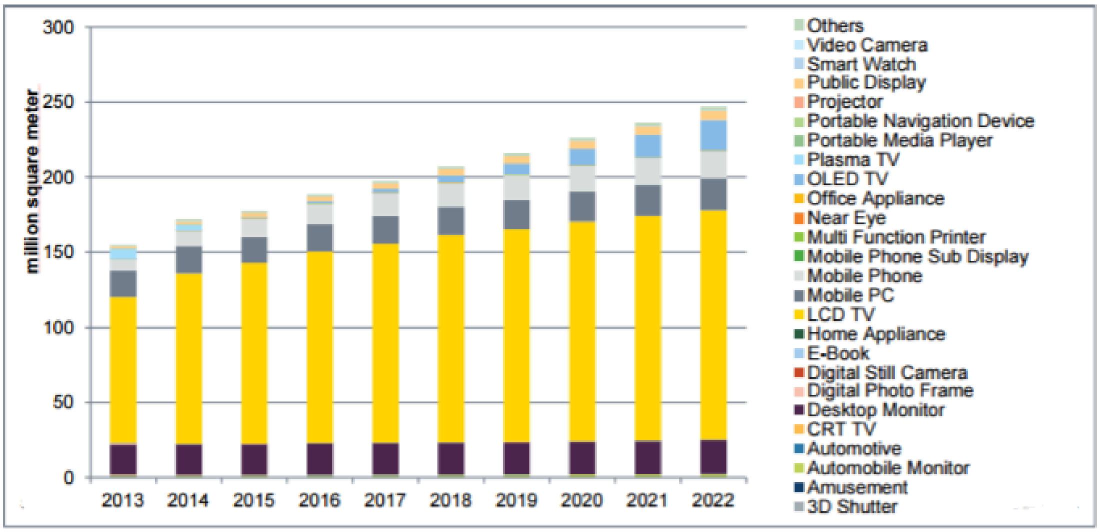
According to the latest IHS Markit *Display Long-Term Demand Forecast Tracker* report, the year-on-year growth rate of the flat panel display market by unit demand is projected to remain low at 0.3% in 2017. In contrast, display area demand is expected to grow 6.6%, and market revenue is expected to grow 9.3% and reach

$110 billion over the same period after 2 consecutive years of decline.

The main factor driving revenue growth is the rapid rebound in panel prices in 2016. The price of 32-inch open cell that had dropped 41% in 2015 due to oversupply in the second half of the year has started to rebound in April before increasing 36% in October compared to December, 2016.

The rebound in panel prices is attributed to supply-related issues such as restructuring of liquid crystal display (LCD) display fabs, production halts, and deteriorating yields from the maximization of production efficiency. Price increases were not just restricted to TV panels, but also smartphone, desktop monitor, and mobile PC-use panels, all of which turned upward from the second quarter.

Figure 39: FPD Panel Shipment Area Forecast by Application, 2017~2022



Source: IHS Display Long-term Demand Forecast Tracker Q4 2016, Q1 2017

Apple is already on record having explored the technology in a string of four patent filings. And its invention delves into their solution that will overcome this problem associated with quantum dot so that this type of display could be used in future MacBooks, iMacs, iOS devices and yes, a possible large screen Apple Television.

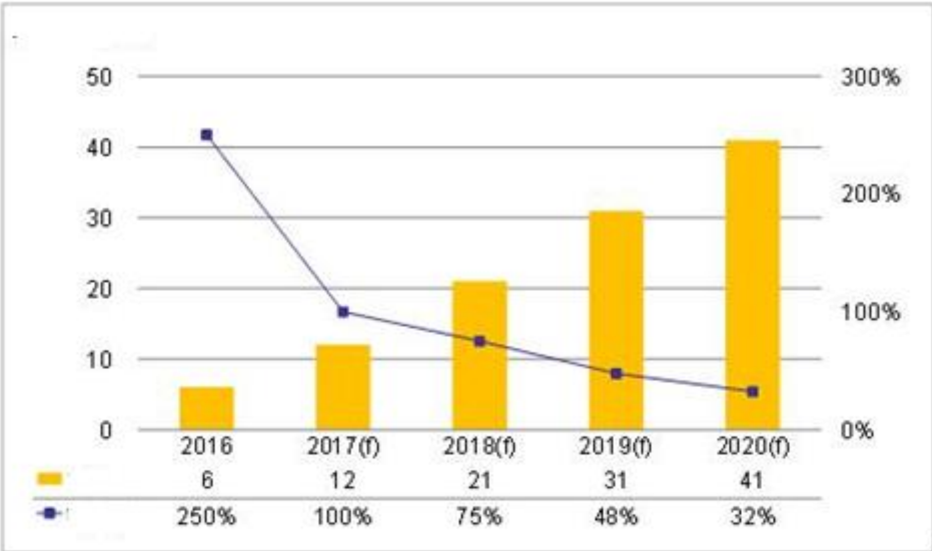
Digitimes Research estimate that Samsung Electronics, LG Electronics, TCL, Hisense, TPV and Philips will market the quantum dot TV as premium products, which in TV means the largest sizes, and migrate steadily towards smaller sizes. That will dirve the global demand for quantum dots (QDs) reach 41 million units in 2020 which is only 6 – 7 million ahead of AMOLD shipment units.

The global market for quantum dots (QDs) totaled $610.0 million in revenue in 2016. The market should total over $3.4 billion by 2021, increasing at a compound annual growth rate (CAGR) of 41.3% from 2016 to 2021.

While the structure of a QLED is very similar to OLED technology, the difference is that the light emitting centers are cadmium selenide nanocrystals, or quantum dots. Theoretically, the advantages to this type of display is that it could reportedly deliver brighter 'pure color' and consumes less power, in fact close to 50% less power. The technology is moving towards electro-active （Electro Luminescent；EL）, also ideal for consumer devices that demand a flexible display and . A QDLED type of display would allow such a form factor to come to market.

Figure 40: Global Shipment of Quantum Dot Display Panel Forecast, 2016~2020

Unit: Million



Source: DIGITIMES Research, Feb., 2017

tatus and development of TFT LCD industry in Taiwan and China

Taiwan-based makers shipped a total of 61.37 million large-size (9-inch and above) TFT-LCD panels during the fourth quarter of 2016, decreasing 1.5% on quarter but increasing 2% on year, according to Digitimes Research.

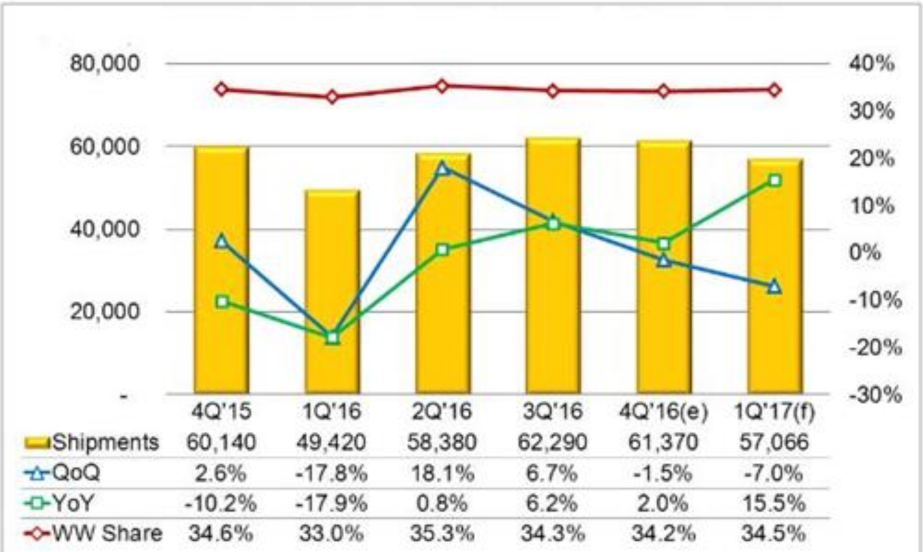
TV panels accounted for 30% of shipments, notebook-use units for 31.6%, LCD monitor-use units 21.1% and tablet-use units 14.3%, Digitimes Research indicated.

Innolux shipped 11.18 million TV panels, 10.25 million notebook-use units, 5.99 million monitor-use units and 2.49 million tablet-use units, while AU Optronics shipped 7.21 million TV panels, 9.17 million notebook-use units, 6.97 million monitor-use units and 3.37 million tablet-use units. In addition, Chunghwa Picture Tubes and HannStar Display shipped 2.51 million and 380,000 tablet-use panels.

Shipments in 2016 stood at 231 million panels, slipping 2.3% on year. There will be 57.07 million panels shipped in the first quarter of 2017.

Figure 41: Shipment Forecast of Taiwan Large-Sized TFT LCD Display Panel, Q4 2015~Q1 2017

Unit: Thousand



Source: DIGITIMES Research, Q1 2017

Taiwan-based TFT-LCD panel makers together shipped 312.94 million small- to medium-size units in the fourth quarter of 2016, increasing 1.0% on quarter and 10.2% on year.

88.7% of the shipments were a-Si TFT-LCD panels and 11.3% LTPS units, Digitimes Research indicated.

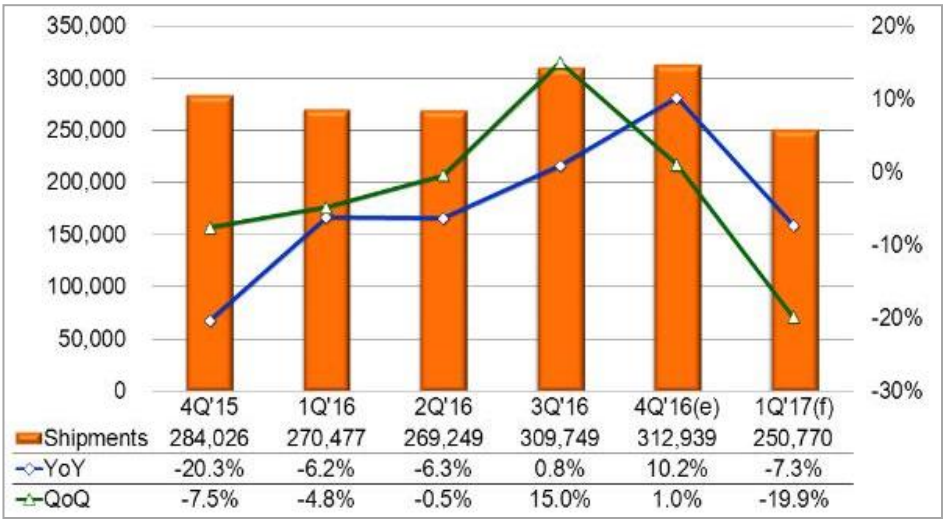
In terms of application, handsets accounted for 78.5% of shipments, tablets 5.5%, automotive displays 5.4%, digital cameras 2.9% and PNDs 2.1%.

HannStar Display was the largest maker accounting for 37.4% of the shipments, followed by Chunghwa Picture Tubes with 31.4% and Innolux 19.8%.

Shipments in the first quarter of 2017 will decrease to 250.77 million panels and those in the whole year will grow 0.8% on year to 1.172 million units.

Figure 42: Shipment Forecast of Taiwan Small-and Midium-Sized TFT LCD Display Panel, Q4 2015~Q1 2017

Unit: Thousand



Source: DIGITIMES Research, Jan., 2017

Taiwan has taken a decidedly conservative approach to the development of OLED technology in comparison to Korea, China, or even Japan, observes Yang Chung-yu, an industry analyst at the state-backed Market Intelligence & Consulting Institute (MIC). Taiwanese panel makers haven't invested substantially in OLED capacity the way the Chinese have, nor do they have the comprehensive patent portfolios of the Koreans and Japanese, which have been built over the past 10 years, she says.

There is another type of OLED technology which the Taiwan panel maker Ritdisplay first mass-produced in small-size monochrome panels 15 years ago, well before Samsung deployed full-color AMOLED panels. Known as PMOLED (for passive-matrix), this technology is easy and inexpensive to manufacture but otherwise is widely considered inferior to AMOLED. AMOLED benefits from having a storage capacitor that maintains the accuracy of pixel lines, enabling high-resolution, large-sized displays. AMOLED is also power-efficient.

By contrast, PMOLED electronics lack a storage capacitor, causing frequent inaccuracy in the pixels in each line. To compensate, it is necessary to increase voltage for added brightness. Over time, the frequent use of high voltage reduces the lifetime of a PMOLED display.

PMOLED displays are usually small (up to 3 inches) compared with TN/STN and are used to display character data or small icons. They remain common in MP3 players and mobile phone sub-displays, and are increasingly found in wearable devices.

In the first half of 2016, Ritdisplay's revenue reached NT$996.71 million (US$31.2 million), up 40% year-on-year, on the back of strong demand for wearables. And Ritdplay' factories are running at full utilization and predicted revenue would climb more than 20% in the second half of the year to meet surging demand for PMOLED products, Ritdisplay intends to boost capacity by 20-40% in 2017, he added.

Still, PMOLED remains a niche technology. Considering price to performance, PMOLED is good enough to display the needed information in wearables and other devices that do not require high picture quality. But overall, PMOLED is widely considered an out-of-date display technology says Gartner. For applications that require good picture quality, such as smartphones, virtual reality, or television, AMOLED will be the better choice.

Among Taiwan panel makers, only Foxconn is moving aggressively to tap the ascendant AMOLED market. According to market analysts, one of the reasons Foxconn paid US$3.5 billion to acquire Sharp last year is that the Japanese electronics maker has outstanding display technologies. Sharp has been a pioneer in the panel industry for years and owns nearly 23,000 patents granted by the U.S. Patent and Trademark Office. Following its acquisition of Sharp, Foxconn pledged to invest 200 billion yen (US$1.9 billion) to develop OLED technology.

It was fairly expensive for Foxconn to acquire Sharp, but Foxconn can't be an ODM forever, says IHS Markit, in reference to the razor-thin margins of contract manufacturers. To strengthen its vertical integration in the panel industry, Foxconn has invested in panel maker Innolux and LCM (LCD Module) vendor Yeh Xin Technology, as well as touch-panel vendor GIS Ltd. By going deeper into the upstream of the LCD panel supply chain, Foxconn can secure a reliable supply of LCD panels and improve its capabilities to design system products, which will help it move from contract manufacturing to product design.

The display panels typically account for a large share of the cost of consumer electronics products. For wearables and smartphones, the proportion is often 20-30% of the cost; for large-screen TVs, the share could reach as high as 60%. For this reason, gaining control over panel supply will be an advantage for Foxconn in managing its cost structure.

In September 2016, Sharp announced it would spend 57.4 billion yen (US$566 million) to develop OLED production facilities. In a statement, Sharp said those funds would be used to for equipment in its Mie and Osaka factories, and to provide customers with sample products. The Japanese electronics maker says it wants to begin OLED panel production by June 2018.

In January, Japan's *Nikkei Asian Review* reported that Foxconn and Sharp might build a factory in Zhengzhou in Henan Province, where Foxconn already operates a massive manufacturing facility. Given its long-established ties with local officials, "it is likely Foxconn received subsidies from the local government to build an OLED plant in Zhengzhou, adding that locating the plant in China puts Foxconn close to its customers among Chinese smartphone brands. Those handset vendors are the most eager to adopt AMOLED displays.

In December 2016, JDI announced the acquisition of Joled, an OLED panel maker formed when Panasonic and Sony merged their operations. By the end of 2017, JDI will increase its stake in Joled from 15% to over 50% with assistance from the state-backed Innovation Network Corp. of Japan (INCJ), which is the majority shareholder in JDI. The deal's value is expected to top US$100 million. INCJ will also provide JDI with 75 billion yen (US$650 million) to develop its OLED and LCD businesses.

The decline of the panel industry is a serious problem for Taiwan given the sector's crucial contribution to the island's manufacturing base. The panel industry has an annual output of NT$950 billion (US$30.05 billion), accounting for 7.4% of Taiwan's total manufacturing output, and employs 100,000 people, according to data from the Ministry of Economic Affairs (MOEA).

In June 2016, AUO told investors at the company's annual shareholders' meeting that AUO would shift its focus from TV and mobile-phone displays to niche products such as panels for medical, automotive, gaming, and virtual reality applications. The company forecast that those products would account for 30% of total sales in 2016, up from roughly 20% the previous year.

Innolux has yet to announce any major plans for OLED production. The company does expect to begin shipping OLED displays for small-sized wearable devices from 2018 and for automotive applications around 2020. Sooner would be better. According to UBI Research, automakers will begin widespread installation of OLED-enabled instrument cluster and infotainment displays in 2018. By 2022, the automotive display market will be worth an estimated US$25 billion, with OLED displays accounting for about US$5 billion of that total.

Shipments of LCD TV sets worldwide for 2016 are estimated to grow by 1.9% annually to around 220 million units, according to the latest analysis by WitsView, a division of TrendForce. At the start of 2017, the U.S. consumer market will be bumpy in the short term due to the results of the country's presidential election. If the U.S. Federal Reserve decides to raise the key interest rates next year, domestic consumer spending will recover and the country will again play a major role in sustaining global TV sales. WitsView forecasts that global TV shipments for 2017 will reach 225 million units, up 2.5% compared with the prior year.

South Korean brands to be shipment leaders in 2016 and 2017 while standings of trailing competitors may change depending on LeEco-Vizio deal

Looking at the annual TV shipment ranking for 2017, WitsView anticipates that the two major South Korean brands Samsung and LG Electronics (LGE) will remain in the first and second place, respectively. Both Samsung and LGE have the advantage of obtaining LCD panel supply in house and are going to rely more on their ODMs in order to make their products more competitive. ODMs with their own supply of panels can also help South Korean brands reduce the risk of panel shortage.

Not much difference is expected between the 2016 and 2017 shipment rankings with respect to the third, fourth and fifth positions. China's Hisense, TCL and Skyworth and Japan's Sony will again be contesting for these three spots. Hisense and TLC in particular will be locked in a fierce struggle as their evenly matched in domestic shipments of their own branded TV sets. In overseas markets, the two brands' shipments diverge in terms of size segments as they cater to different clients. Hisense exports mainly mid- and large-size models, while TCL shipments abroad are mostly products belonging to the small-to-mid-size range.

A major brand whose direction will be under scrutiny in the future is China's LeEco. LeEco is the middle of acquiring Vizio and recently there are a lot of speculations about the company's finances. If the Vizio deal is done, the combined TV shipments from the two companies might be able to propel LeEco to third place in the 2017 shipment ranking.

WitsView pointed out that China-based Internet brands such as LeEco and Xiaomi have expanded rapidly in the global LCD TV market. These Internet brands appeal to consumers with bargain-priced premium products.

WitsView also noted that the Chinese Internet brands are also changing consumers' TV shopping habits. In China, Le Eco and Xiaomi added major sales events that target their customers in the months between the usual holiday seasons. Besides promotional events during traditional holiday periods such as Chinese Labor Day, Mid-Autumn Festival and National Day, there are 'LeEco Day' and 'Xiaomi Day' that spur replacement demand for these brands' products. WitsView expects the Internet brands will continue with this kind of sales strategies next year, and traditional branded TV makers in China will also have to adopt similar measures to hold on to their market shares.

Large-size TV sets will account for over 20% of the total shipments for 2017 while the 4K penetration rate will reach 31.5%

According to WitsView, major development trends that will be unfolding in the LCD TV market next year include the increase in sizes and resolutions and the growing competition in niche, high-end product segments. Competitive focus of major brands will especially be on curved-screen and AMOLED technologies.

The market outlook by size segments indicates that the share of large-size models (those sized 55-inches and above) in the global annual TV shipments for 2016 is expected to reach 17.8%. For 2017, WitsView forecasts that large-size models will make up more than 20% of the annual shipments. WitsView also projects that the penetration rate of the 4K resolution in the global TV market will increase rapidly from 23.8% in 2016 to 31.5% in 2017. The 4K adoption will be driven by the increasing availability of video and gaming content that support this resolution standard.

As for the niche product segments, brands such as Samsung, Hisense and TCL have been very active in promoting curved-screen TV sets. Therefore, the penetration rate of curved-screen models in the global market is estimated to grow from 4% in 2016 to 5% in 2017, or from 9 million units shipped this year to 11 million next year.

Also, worldwide shipments of AMOLED TV for 2016 are estimated 870,000 units, representing a whopping annual growth of 129%. LG Display (LGD) plans to expand its large-size AMOLED TV panel capacity next year and is expected to further improve the yield rate for the technology. WitsView therefore forecasts that worldwide shipments of AMOLED TVs for 2017 will reach 1.6 million units, up 84% from the prior year.

Table 25: Global Shipment of Taiwan Top 5 TFT LCD TV Suppliers

Unit: Thousand

OEM	2015	2016 (Forecast)	2017 (Forecast)
TPV	17,480	18,500	20,000 ~ 21,000
Foxconn (2317)	8,610	8,500	10,000
Wistron (3231)	2,500	1,300 ~ 14,00	1,000 ~ 1,200
Compal (2324)	2,220	2,200 ~ 2,300	2,000 ~ 2,300
AmTRAN (2489)	2,050	3,200 ~ 3,300	3,800 ~ 4,000
BOE	5,800	7,700	11,000
Others	306	332	340

Source: WitsView, Dec., 2016

BOE takes top position in terms of large TFT-LCD display unit shipments in January 2017. For the first time ever, a Chinese display maker is displacing South Korea’s display makers, the historical leaders in shipment volumes says IHS Markit.

Moveover, BOE has been aggressively attacking the IT display market in shipment volumes at a time and taking a total share of 22.3 percent in unit shipments in January 2017, when top-tier panel makers started to turn focus away from this segment according to IHS Markit.

A variety of the hardware devices equipped with artificial intelligence, VR and AR technology and the new smart phones were just presented in CES 2017. Of which noted the fact of declice in PC market.

Worldwide PC shipments totaled 72.6 million units in the fourth quarter of 2016, a 3.7% decline from the fourth quarter of 2015, according to preliminary results by Gartner. For the year, 2016 PC shipments totaled 269.7 million units, a 6.2% decline from 2015. PC shipments have declined annually since 2012.

For the year, worldwide PC shipments totaled 269.7 million units in 2016. 2016 shipment totals were at the same levels as shipments in 2007. Market consolidation escalated in 2016 as the top three vendors (Lenovo, HP and Dell) accounted for 54.7% of worldwide PC shipments in 2016, up from 51.5% in 2015.

Four of the top six vendors experienced an increase in worldwide PC shipments in the fourth quarter of 2016. The top three vendors all increased their global market share in the fourth quarter.

Apple is expected to place strong orders in the first quarter as demand for its new MacBook Pro remains strong since the last fourth quarter.

Lenovo maintained the No. 1 position and the shipment increased by 1.6% annually after the decline for 6 consecutive quarters, as the company experienced shipment increases in North America and EMEA, while Asia/Pacific and Japan continued to be challenging markets.

Stagnation in the PC market continued into the fourth quarter of 2016 as holiday sales were generally weak due to the fundamental change in PC buying behavior, said Gartner. The broad PC market has been static as technology improvements have not been sufficient to drive real market growth. There have been innovative form factors like 2-in-1s and thin and light notebooks, as well as technology improvements, such as longer battery life. This end of the market has grown fast, led by engaged PC users who put high priority on PCs. However, the market driven by PC enthusiasts is not big enough to drive overall market growth.

There is the other side of the PC market, where PCs are infrequently used. Consumers in this segment have high dependency on smartphones, so they stretch PC life cycles longer. This side of the market is much bigger than the PC enthusiast segment; thus, steep declines in the infrequent PC user market offset the fast growth of the PC enthusiast market.

Gartnar noted that although the overall PC market will see stagnation, there are growth opportunities within the market, such as the engaged PC user market, the business market and gaming. However, these growth areas will not prevent the overall decline of the PC market, at least in the next year.

IDC also forecasts that Worldwide PC shipments totaled 70.2 million units in the fourth quarter of 2016, a 1.5% decline from the fourth quarter of 2015.

For the year, stagnation in the PC market will be continued. IDC Notes that the top 6 vendors are suffered from the consesive decline in the shipments in 2017 except HP and Dell. And Asus is the only Taiwan vendor among the top 6.

Table 26: TOP 5 Vendor’s Worldwide Traditional PC Shipments, 2016

Vendor	2016 Shipments	2016 Market Share	2015 Shipments	2015 Market Share	2016/2015 Growth
1. Lenovo	55,502	21.3%	57,233	20.8%	-3.0%
2. HP Inc.	54,290	20.9%	53,587	19.4%	1.3%
3. Dell Technologies	40,731	15.7%	39,049	14.2%	4.3%
4. Asus	19,203	7.4%	19,360	7.0%	-0.8%
5. Apple	18,446	7.1%	20,452	7.4%	-9.8%
6. Others	72,012	27.7%	86,110	31.2%	-16.4%
Total	260,183	100.0%	275,790	100.0%	-5.7%

Source: Gartner, Jan., 2017

PC shipments in EMEA surpassed 21.9 million units in the fourth quarter of 2016, a 3.4 percent decline year over year. PC shipments to the consumer market were driven by good Black Friday sales in Western European countries, such as the U.K. and France, especially on traditional notebooks, ultramobile clamshells, the hybrid form factor and gaming PCs. Gartner's early estimates also show PC shipment growth in the business segment, led by Windows 10 deployments during the fourth quarter.

BOE, a Chinese display maker, takes top position in terms of large TFT-LCD display unit shipments in January 2017, according to IHS Markit, a world leader in critical information, analytics and solutions. For the first time ever, a Chinese display maker, taking a total share of 22.3% in unit shipments, is displacing South Korea's display makers (LG with 21.6% and Samsung with 9.9%) , the historical leaders in shipment volumes.

Table 27: Large Sized Display Panel Market Share Distribution

Suppliers	Unit Shipment (%)	Area Shipment (%)
AUO	16.4%	14.6%
BOE	22.3%	13.8%
LG Display	21.6%	24.8%
Innolux	15.7%	14.7%
Samsung Display	9.9%	16.1%
Others	14.2%	16.0%

Source: IHS Markit, Jan., 2017

South Korean panel makers still retain their advantage in large-sized TVs, a higher-demand segment that has benefited from increasing UHD TV penetration and consumer migration to TVs with larger screens. IHS Markit estimates that the shipments from South Korean panel makers will be declined to 31.3%, but that from Taiwan panel makers will be retained by 34.9% and followed by Chinese competitors increased up to 30%.

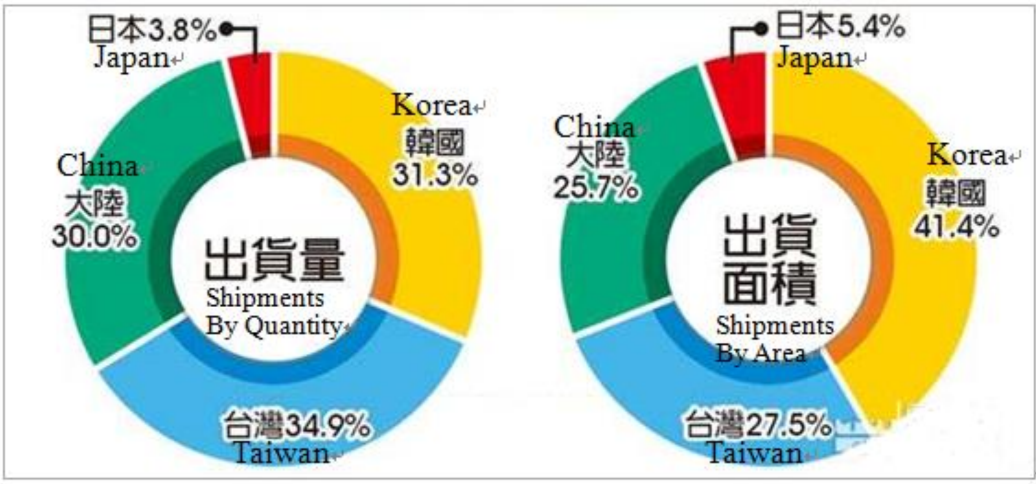
Due to increasing capacity from China, South Korean LCD panel makers are quickly realizing that LCD displays profitability may eventually erode, due to growing capacity and price competition from China, so they are betting their future on organic light-emitting diode (OLED) displays. Because of lower profit margins and slowing market growth, the IT display category has become the first product line that LCD display manufacturers are quitting, according to IHS Markit.

Samsung Display was the first company to do so, selling a fifth generation (Gen 5) fabrication plant (fab) to a Chinese touch and module maker in 2015 and a seventh generation (Gen 7) in 2016 . In the future, more fab restructuring is expected, especially the facilities dedicated to making IT panels.

Samsung Display delivered 30 million notebook panels in 2015, With the company's latest fab reorganization plan, notebook PC LCD panel shipments could fall to 12 million units in 2016 and to 3 million in 2017. And LG Display delivered 40 million in 2016, but could fall to 32 million in 2017. There will be an 10 million-unit gap this year, which means brands might not be able to find other sources to keep up with production needs.

The decrease in the shipments from NB will impact the maket share of South Korean panel markers, which could fall to 31.3% and declined by 4.3% year on year in terms of shipment units. The shipment units by Taiwan panel makers retain steady and will enjoy o 34.9% as well. Its' the first time that Taiwan surpasses Korea. And new capacity in shipment units helps China panel markers' market share scaled up to 30% and increased by 3%.

Figure 43: Large Sized Display Panel Shipment Market Share Distribution Forecast by Nations,



Source: IHS Markit, Mar., 2017

Instead of ramping up the current supply of TV panels, panel makers are now busy diversifying into larger-sized panels of 50-inches above and other premium products, such as 4K panels.

In terms of the shipment area, South Korea panel makers is in leading position and enjoy the 41.4% market share, and Taiwan penal makers with 27.5%. China major panel makers are focusing on 32-inches display panel. Their market share penetrated is still far behind the penal makers of South Korea and Taiwan.

In 2017, South Korea LCD panel makers only make slight adjustment in capacity. Taiwan's LCD panel makers have new and minor increase in capacity.

As China ramps up LCD capacity, driving prices down, profitability is falling industrywide. In response, Korean panel makers have moved to develop a technology that is expected to supplant LCD: organic light-emitting diode (OLED) displays.

BOE significantly increased the capacity of its Gen-8.5 and Gen-8.6 fabs in China in 2016. While some of the added capacity in the Chongqing plant was for notebook panels, much of it was used to raise the share of 49- and 55-inch TV panels in the overall product mix. BOE's shipments by area therefore grew considerably as well, with the annual rate reaching 33.5%.

HKC, a sizeable LCD TV OEM and ODM maker, which recently entered the LCD TV display market with backing from China government, represents a new vertical integration business model for the industry and comes with ramping up a brand new fab.

In the various submarkets utilizing displays, BOE Technology is now the No. 1 display supplier to the notebook panel segment in shipments, second in the monitor panel segment, and third in the TV panel segment ahead by Samsung Display and LG Display. The shipments in TV panel were delivered 35 million units in 2015 and 44 million in 2016 as well.

In 2017, however, BOE’s focus is to improve its product mix rather than increase market share. The company plans to ship 40 million TV panels in 2017, which is less than the 44 million it shipped in 2016. BOE also plans to reduce its portion of 32-inch TV panels, while increasing shipments of larger sizes like 43, 49, 55, and 65-inch.

BOE Technology Group, China's biggest display panel maker, shipped more large LCD panels in January than any other company in the world, winning the top spot for the first time, according to IHS Markit.

BOE had 22.3%, also TCL and Panda had 10.9%of the large-panel market in January by units shipped, according to IHS Markit. During 2016, China panel makers monthly share fluctuated between 17-19%.

LG Display dropped to second in January with a 21.6% share of monthly unit shipments. Its share hovered in the 21-24% range in 2016.

However, LG Display remained strong in the market for TV displays. In fact, when IHS Technology tallied shipments based on total surface area, the South Korean company remained firmly in the lead in January with a 24.8% market share compared with BOE's 13.8%.

China is currently the most important base of LCD TV panel supply in the world. Its strategy in expansion will impact the worldwide supply and demand.

LCD TV panels has increased in 2016 after being depressed since the second half of 2015. Pricing remained low until the first half of 2016, causing most panel makers to post losses. But since the second half of 2016 pricing has bounced back rapidly, driven mainly by hikes in the price of 32-inch panels from China panel makers and also by fast migration to larger TV sizes. While the fast growth in panel size has increased area capacity consumption by TV brands, causing an imbalance in panel supply and demand.

The rebound in panel prices is attributed to supply-related issues such as restructuring of LCD display fabs, production halts, and deteriorating yields from the maximization of production efficiency. Price increases were not just restricted to TV panels, but also smartphone, desktop monitor, and mobile PC-use panels, all of which turned upward from the second quarter.

IHS Markit says that new capacity by China panel makers will be fully loaded within the future 2-3 years. And the production capacity will help China panel makers to expand the shipment units and the market share in 2017.

Growing number of China smartphone makers are raising investments in OLED panels, including BOE Technology Group and six other major local players have constructed new factories.

Meanwhile, China TFF LCD panel makers scaled up investments, and is projected to overtake Korean makers’ top global position by 2018. Moreover, China smarphone makers are expanding their business in OLED panels, which outlines China makers’ clear market strategies in advanced electronic component industry.

Other than that, China enterprises often receive large financial support and tax exemption from local governments and invest large funds in OLED panels while the "China's 13th Five-Year Plan on National Technology Innovation. China enterprises swarming the OLED sector is ushering in new developments that could allow the technology to replace TFT-LCD panels in the near future.

Table 28: China OLED Factories' Contruction Status

Manufacturer	Gen	Application	Capacity (K) per month	Mass Production Schedule	Regional Capacity
BOE	5.5	Samall & Medium	54	2014	331
	6	Samall & Medium	24 (Rigid)	Q3 2017	
	6	Samall & Medium	24 (Flex)	2018	
	6	Samall & Medium	48 (Flex)	2019	
CSOT	6	Samall & Medium	45	2018	
Everdisplay	4.5	Samall & Medium	20	Q4 2014	
	6	Samall & Medium	30	Q1 2019	
Visionox	5.5	Samall & Medium	15	Q4 2015	
	5.5	Samall & Medium	40	Q3 2016	
	6	Samall & Medium	30	Q2 2018	
Tianma	5.5	Samall & Medium	15	Q1 2016	
	5.5	Samall & Medium	15	H2 2017	
	6	Samall & Medium	25	2018	
Truly	4.5	Samall & Medium	30	Q4 2016	

Source: China-Info, Mar., 2017

DigiTimes Research expects Chinese manufacturers to steadily increase OLED panel shipments, reaching 2.6 million units in 2017, 3.5 million in 2018, and 4.8 million in 2019. Chinese manufacturers including Tianma Micro-electronics Visionox, EverDisplay, Royole, and Truly Opto-Electronics are also moving to boost their market share in the OLED market, DigiTimes notes.

BOE Technology, China's largest panel maker, is building a US$4.85 billion OLED plant in the southwestern Chinese city of Chengdu that is expected to have a monthly output of 10,000 smartphone displays. And the plant could be running at full capacity as early as 2019.

There has been increasing demand for LTPS (low-temperature poly-Si) TFT-LCD panels from China-based smartphone vendors as supply of AMOLED panels by Samsung Display has been insufficient according to Digitimes Research.

While Samsung Electronics has adopted AMOLED panels for flagship smartphones, Apple is expected to follow suit for a new iPhone model to be launched in the second half of 2017. Digitimes Research says that the 50% of the smartphone will apply AMOLED and LTPS in 2017.

Since Samsung Display is giving priority to Apple and Samsung for the supply of OLED panels, it is obviously that the rest of smartphone vendors will be unable to secure sufficient supply of OLED panels in 2017.

Not all of China-based brand smartphone vendors are to adopt AMOLED panels for their new models to be launched in 2017 due to concerns of insufficient supply of the panels and rising prices of memory products.

Leading smartphone vendors in China, including Huawei, Oppo and Vivo, are likely to adopt AMOLED panels for their smartphones in 2017 following the adoption of such panels by Apple for its next-generation iPhone and Samsung Electronics for its Galaxy S8.

Other vendors may continue to utilize LTPS LCD panels, while using high density memory parts to ramp up the price-performance ratio of their products as they believe that smartphone users are normally more concerned about the memory capacity of their mobile devices than other features, commented the sources.

Samsung Display produces an estimated 300 million AMOLED smartphone panels a year Digiimes Research said. After priority supply for Samsung Electronics and Apple, Samsung Display can supply only about 50 million AMOLED panels for China-based smartphone vendors a year. Consequently, global supply of AMOLED panels will be short of demand in 2017.

As a result, China-based smartphone vendors cannot but rely on LTPS TFT-LCD panels. Japan Display and LG Display have combined annual production capacity of 250-300 million LTPS TFT-LCD panels; Sharp, Innolux, AU Optronics (AUO) and Tianma Micro-electronics have about 100 million units in total. Global total annual capacity reaches 350-400 million units.

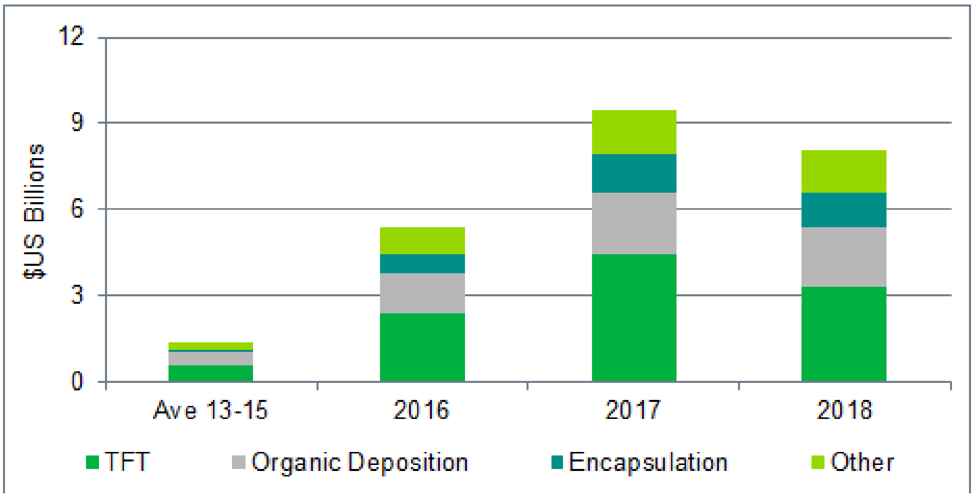
In 2017, AMOLED panels are estimated to account for 27% of smartphone-use panels, LTPS for nearly 35% and a-Si TFT-LCD units for the remaining.

According to the IHS Markit, Apple iPhone will apply the AMOLED display panel, which will drive the OLED display panels continuously booming and the capacity of the supply chains expaningding in the near future.

AMOLED requires high-performance encapsulation to prevent sensitive organic light-emitting materials from environmental degradation. Encapsulation barriers are typically fabricated from metal, glass or stacks of thin films. However, a substantial share of the new AMOLED orders will be given from China, Japan and Korea.

The market for high-performance AMOLED deposition equipment is dominated by Canon Tokki, which accounted for over half of the market in 2016 said HIS Markit. At least five other evaporation makers are rushing to take advantage of the explosive market opportunity. However, with strong panel maker interest in Canon Tokki's unrivaled mass production experience, it's expected the company to make further market share gains in 2017.

Figure 44: AMOLED Equipment Revenue by Process Type, 2013~2018



Source: IHS Markit, Feb., 2017

The flat-panel display (FPD) industry is in the midst of a historic wave of building new factories to manufacture active matrix organic light emitting diode (AMOLED) displays. This will drive $9.5 billion worth of AMOLED-specific production equipment purchases in 2017, according to IHS Markit.

With an estimated $23 billion of expenditures on AMOLED production equipment between 2016 and 2018, equipment makers, particularly those offering deposition and encapsulation solutions, will be enjoying a historic sales opportunity.

A variety of approaches can be used to deposit OLED materials. However, fine metal mask (FMM) evaporation tools, used for high-resolution mobile display production, account for the majority of the deposition equipment revenue in the current wave of new factory construction said IHS Markit.

Evaporation machines are technically highly complicated. This subsequently requires significant capital outlays. The delay in acquiring evaporation machines will impact the maket shares the major panel makers of Chian, Janpan and Korea have in the market, which makes the major panel makers involve huge investments in AMOLED equipmens to speed up their production and secure their penetration in the market.

IHS Markit forecasts that Canon Tokki will significantly increase the capacity of the evaporation production in 2017, but the increase may not meet the market demand.

(3) LED (Light-Emitting Diode) Industry

(3.1) Status and development of Global LED Industry

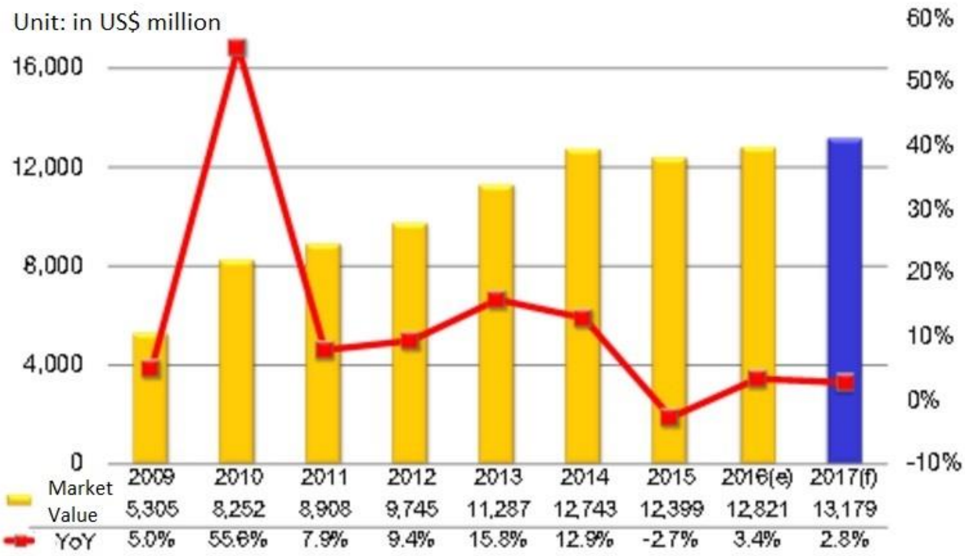
The value of the global LED market is estimated to grow 3.4% annually to US$14.8 billion in 2016, according to LEDinside, a division of TrendForce. The projected growth in LED market value for this year is marginal, but the industry has witness some major changes. The surge in demand for fine-pitch LED displays has caused a general tightening of chip supply. As a result, some chip and package products have seen price hikes for the first time in five years. The LED industry will again be under tremendous competitive pressure in 2017, and participants will need to accelerate their entries into more profitable niche markets.

In an overview of historical statistcs, the momentum of global LED industry reached its peak in 2014 and then gradullay slowed down. During 2016-2017, global LED production value may grow only around 3%-4%, however, the usage volume still enjoys 20%-30% growth. This difference just reflects the fact that LED product price declined rapidly and fluctuately. As a result, although the industry has experienced price hikes for four times since 2016, price increasing for 5% to 15%, mainly 8%, the price hikes can hardly benefit the market value and profitability due to the price-cut competition in the past years.

Global production value for high-brightness LED chips in 2017 will reach US$13.18 billion, growing 2.8% on year, according to Digitimes Research. The momentum of global LED industry reached its peak in 2014 and then gradullay slowed down. In terms of capacity, the upstream LED epitaxy manufacturer, Sanan Optoelectronics, HC SemiTek, and Osram have production expansion plans. In terms of application, lighting consumes the largest portion of high-brightness LED chips.

The production capacity has not largely increased in 2017, thus the damand and the supply are better matched. Besides, after the price-falls of LED components average selling price (ASP) in the past two years, the price decrease is expedted to slow down. Therefore, China-based LED packaging service providers are anticipated to have higher growth on revenue than their competitors based in other area since they have advantages of lower manufacturing cost for lighting LED components and middle-end and low-end LED components.

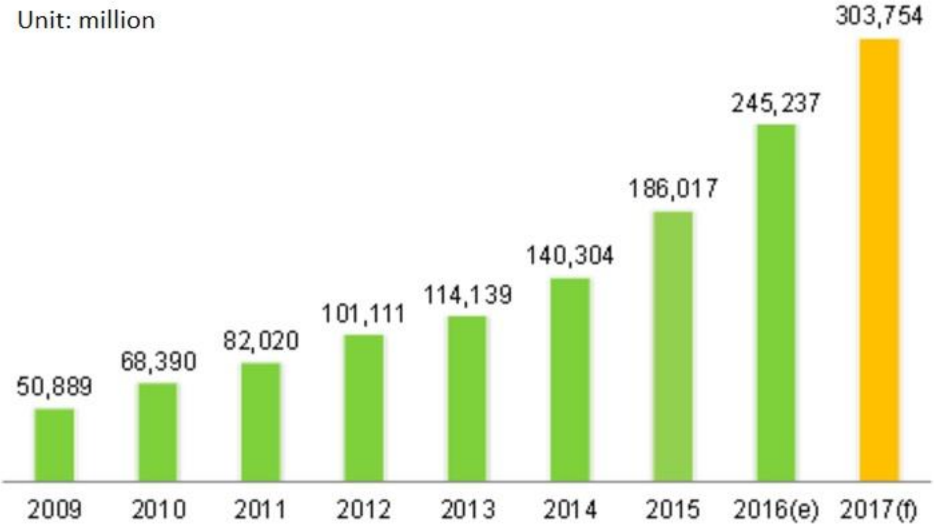
Figure 45 Global market value for high-brightness LED, 2009~2017



Source: DIGITIMES，2016/12

There will be 303.75 billion high-brightness LED chips shipped globally in 2017, increasing 23.9% on year, but the corresponding average selling price will decrease 17%, Digitimes Research indicated. After huge price drops in the past two years, the price decrease is expedted to slow down.

Figure 46 Global shipments of high-brightness LED, 2009~2017



Note: 1. If a component is packaged by double-crystals or multi-crystal, it is converted to single-crystal form.
2. The number of high-efficiency LEDs is converted to its equivalent of lower-efficiency LEDs.

Source: DIGITIMES，2016/12

The LED industry will again be under tremendous competitive pressure in 2017, and participants will need to accelerate their entries into more profitable niche markets such as fine-pitch LED displays, UV LEDs and IR LEDs. LEDinside forecasts that the value of the global LED market will total US$15.4 billion, up 4% from 2016.

For the long-term, the compound annual growth rate of the whole LED industry is only 3% from 2015 to 2021. The LED mainstream applications include mobile phone, medium and large panel backlight, which will gradually decrease due to the development of OLED. Although LED lighting has become the largest application in LED industry, the growth of overall production value slows down due to the saturated penetration rate and a multitude of competitors. But LED manufacturers have invested in automotive lighting as well as fine pitch displays, so the market is still growing and developing.

A. Development by region

Strong Dollar Policy makes the United States become the growth driver of global LED lighting demand market and the world’s products become relatively cheaper. This trend is expected to still affect the American market in 2016. Meanwhile, in order to maintain industrial development, the United States is promoting LED lighting local assembly, which will meet the local market demand better and expand market. In addition, American major manufacturers are actively developing LED lighting business, with the rising LED lighting penetration rate. LED commercial and industrial lighting demand is strong in the US market, among which demand for Troffer, panel lights, tunnel lights and high bay lights grows fastest and they begin to develop towards intelligence and optical communications and other new application areas. Furthermore, plant lighting market benefits from legal medical cannabis cultivation and recreational marijuana in Colorado and Washington. Entrepreneurs and lighting manufacturers aiming at the Gold Rush are waiting for action.

LED lighting in Southeast Asia has strongly developed in recent years and gradually strengthened to replace traditional lighting. Although under the influences of the overall economic environment in 2015, growth slows down, it is expected that along with policy incentives and increase of replacement demand, LED lighting penetration rate and import scale of Southeast Asia will continue to increase in the next few years. Southeast Asia is becoming a major hub for Chinese manufacturers exporting LED lighting products. According to a survey regarding the Southeast Asia market by LEDinside, judging by the overall dynamic of the LED industry around the world, it can be seen that the western market is experiencing a saturation and the price wars in the China market are rather heated-up; thus, many manufacturers are eyeing on other regions, such as Southeast Asia, South America, and the Middle East. Among those ‘new lands,’ Vietnam attracts a great number of international investors with its low labour cost. As the per capita income in Vietnam is rising, it would further boost the domestic demand for LED lighting. LEDinside expected the market in Vietnam reached USD 348 million in 2016 with a penetration rate of over 40%.

Australia possesses about 7-8 million families and each family has 75 lamp holders on average. Due to an early start to phase out incandescent lights, the current products are mainly dominated by MR16 lamps and traditional ceiling lights. Under the requirements of pursuing lighting energy conservation, LED lighting will have more opportunities. In recent years, filament lighting is much applied in commercial lighting space, spur the filament lighting orders demand in China.

Indian LED industry has obtained its government's full support. The government has promulgated a series of policies from all perspectives to support the industry's development, among which the most important is SLNP and DELP. In addition, to help multiple investment enter India, the government implements free tariff (basic tariff) of LED component imports, facilitating LED products into assembly in India as semi-finished products and developing the local market.

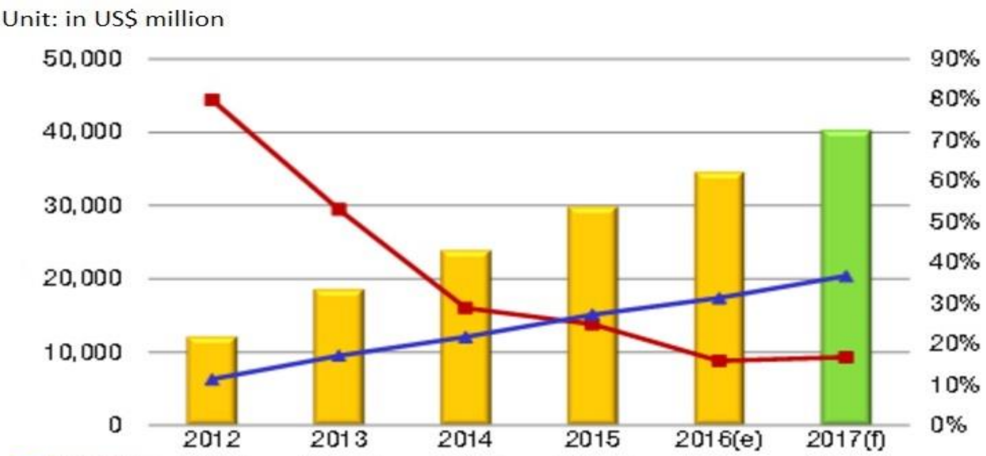
B. Development by applications

The latest analysis by LEDinside finds that LED lighting market to worth US$29.6 billion in 2016 and is to rise to US$33.1 billion as of 2017. Meanwhile, the penetration rate of LED lighting is to reach 52%. Thanks to regional lighting development, LED lighting is to account for 23% of total lightings in Europe by 2016, which is the highest across the world. The second and third highest region are to be found in North America and China. However, Asia- Pacific region is to witness fastest growth rate in LED lighting.

LED commercial lighting lamps mostly include tube, toffer and panel lights. In 2017 the global LED general lighting value is $6.347 billion, and in 2016~2020 the compound annual growth rate is 12%. In the global market of LED tube in 2017, China accounts for the largest market share for 23%, followed by North America and Europe, In 2017 Europe accounts for 43% market share of Troffer and panel lights.

In terms of market, as affordable LED lighting products becomes more popular with comparable price against traditional lighting, LED lighting products dominate the markets in both developed and developing countries. Nevertheless, the product price is still low. Budget products, including medium to low end, accounted for two third of all products, while the price of high-efficiency LED lighting, professional lighting and systematic lighting are still 30% higher than that of traditional lighting. As a result, the growth rate of the whole LED lighting market value is not as high as witnessed in the past two years. The global lighting market value in 2017 is estimated to reach US$40.42 billion, growing 16.7% on year, and the penetration rate will reach 36.7%.

Figure 47　Global LED Lighting Market Value and Penetration, 2014~2017



	2012	2013	2014	2015	2016(e)	2017(f)
LED Lighting	12,148	18,598	23,957	29,908	34,639	40,424
YoY	80.0%	53.1%	28.8%	24.8%	15.8%	16.7%
Penetration	11.3%	17.1%	21.7%	27.2%	31.3%	36.7%

Source: DIGITIMES，2016/12

With the promotion and policy support of all areas for LED street lights, street light replacement cases have rapidly developed. In 2017 the global LED street lighting market value reaches USD 3.295 billion, and Europe and North America still account for the largest regional market. From the perspective of shipments, the compound annual growth rate of global LED street lights is still as high as 20% in 2016~2018. Later, as LED street lights have long lifetime and replacement inventory shrinks, the shipments will slightly decline.

As the penetration rate of LED street lights gradually improves, along with the promotion of smart lighting and smart city, smart street lights are rapidly developing as the best entry point of the smart city. Although smart street lights are at the early development stage, various countries have begun to launch demonstration cases gradually. Most of them are first-tier lighting manufacturers and focus on small demonstration. Due to higher costs of smart street lights, the European and American areas with developed economy will grow fastest over the next few years.

The rapid growth in automotive lighting field is definitely worthy of attention. LEDinside forecates that Automotive LED value will reach US$2.817 billion (+14.8% YoY) in 2017, while the compound annual growth rate of the whole LED industry is only 3%. Automotive LED market demand will drive the world's LED market value.

C. Development by products

By percentage of LED chips usage, lighting applications will account for 66% of shipments, mobile devices (mainly smartphones) and backlighting of LCD TVs 20.8%, LED display boards 5.6% and automotive displays 4.7%, DIGITIMES Research indicated.

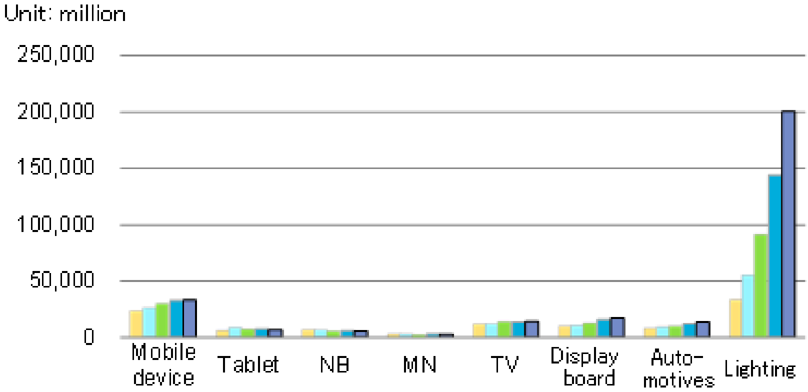
By YoY growth rate of LED chips usage, in 2017 applications in lighiting, automotive, display boards, backlighting of LCD TVs and mobile devices have the highest growth rate in order. Meanwhile, applications in backlighting of tablet, notebook and LCD monitor screens will reduce for around 5.2% to 11.9%.

Amongst them, lighting and automotive applications will enjoy double-digit growth. In 2017 global LED lighting market will reach US$40.42 billion, rising for 39.2%, with penetration rate of 36.7%. Automotive lighting is expected to grow 15.3% as a result of the increasing LED penetration rate in care applications.

By volume of LED chips usage, lighting accounts for the most, rising from 56.4 billion units in 2016 to 200.4 billion units in 2017. The global penetration rate has been rising continuously owing to the popularity of LED lighting of lower price.

Mobile device (mainly smartphones) ranks 2nd in terms of chip usage, mainly driven by flash of high-end mobile phones in 2017. However, Samsung has already adopted OLED, a substitutional technology for LCD display, in its mobile phone products, while Apple is also planning for adopting OLED. The development of OLED may cause decrease in LED usage.

Figure 48 High Brightness LED Shipment by Application, 2013~2017

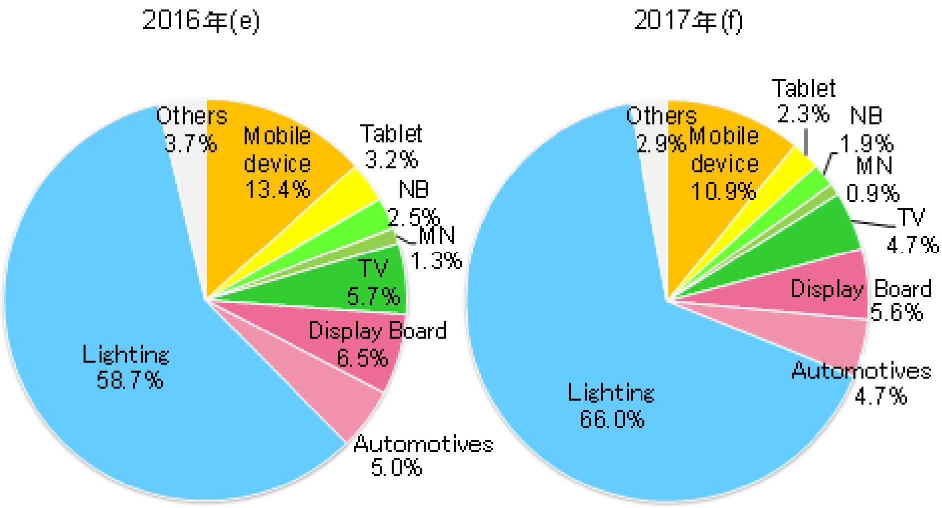


	Mobile device	Tablet	NB	MN	TV	Display board	Auto-motives	Lighting
2013	23,949	6,481	7,412	3,542	12,402	10,499	8,646	33,709
2014	26,146	8,864	6,915	3,185	11,936	10,814	9,493	55,350
2015	30,621	7,991	6,251	3,167	14,723	13,409	10,727	91,626
2016(e)	32,887	7,951	6,195	3,142	13,928	15,943	12,250	143,963
2017(f)	33,187	7,002	5,874	2,880	14,290	17,154	14,124	200,396

Note: Count by chips used. Mobile device is also counted by chips used due to its size.
Source: DIGITIMES，2016/12

Comparing the percentage of LED chips used in each application in 2016 and 2017, the usage in LED lighting keeps increasing, reaching 66% in 2017, 7.3% higher than 2016.

Figure 49 High Brightness LED Shipment by Application, 2016~2017



Source: DIGITIMES，2016/12

By contrast, the percentage of other applications decreases by 0.3%~2.5%, out of which mobile device and TV decrease most, by 2.5% and 1% respectively.

Observing the shipments of lighting and medium/large LCD backlights during 2009~2017, 2017 will be the first year that lighting accounts for over 60% in terms of chips, while medium/large LCD backlights account for 9.9%, decresing year by year. The decrease are mainly due to the shipment decrease in tablets, NBs and monitors.

D. Industry trends

Listed below are major trends that will shape the LED industry in 2017:

- The capacity competition will accelerate the exit of second-tier suppliers

  To fulfill the emerging demand for fine-pitch LED displays, Chinese LED package suppliers have already undertaken capacity expansion. It caused that Chinese LED chip manufacturers in the upstream and even Chinese PSS suppliers have also volumed up their output on a large scale. The intesion of competition is expected to contine. Other than in China, Osram will complete the construction of its fab in Malaysia by 2017, and the design capacity is expected to volume up after the introduction of manufacturing equipment. In 2017, the huge capacity of Chinese suppliers and Osram is likely to worsen the oversupply of bule LEDs and trigger a new price war. At that time, less competitive second-tier LED suppliers will be under pressure being eliminated from the market.

- Fine-pitch LED displays will be a highly contested application market in new few years

  Traditional LED display makers shifted much of their development efforts towards fine-pitch LED displays through 2016 as consumers demand better image quality from these products. LED display makers' focus on fine-pitch LED displays has resulted in a several-fold increase in LED usage volume. And many Chinese LED package suppliers have undertaken capacity expansion just to capture a share of this market. However, this scramble has also generated intense pricing competition. To avoid getting trapped in a price war, suppliers will have to improve their product specifications and make packages more compact. Currently, fine-pitch LED displays with pitches measuring 1.5mm and less constitute a market segment where LED suppliers are not under pressure to lower their prices.

- UV-C LEDs will find more applications as their efficiency improve

  UV-C LEDs are another emerging market with a lot of blue ocean opportunities. Deep UV has sterilization and purification features that would be useful in many application areas, including home appliances, water treatment, air purification and so on. While there is high demand for UV-C LEDs, there are challenges in developing this market. UV-C LED chips are currently very expensive and have low external quantum efficiency. Also, application development for UV-C LEDs used to be mainly led by research institutions based in Japan, Europe and the U.S. These organizations came up with solutions that could not achieve economies of scales. Nonetheless, more LED suppliers are starting to see the importance of UV-C LED products and investing more in developing related applications. The industry's contribution therefore will speed up the growth of the UV-C LED market in the near future.

- Applications for IR LED components will become even more diverse as well in the future

  IR LED is a relatively mature technology and offers inexpensive solutions in many application areas. Iris recognition sensors and motion sensors for virtual reality devices, for instances, are two of many newly emerged applications that provide lucrative opportunities for IR LED suppliers. Vertical-cavity surface-emitting laser (VCSEL) is another related technology that has gained greater market interest in recent years. VCSEL is now featured in handheld devices and sensor equipment related to the Internet of Vehicles. The expansion of applications for IR LEDs depends on the willingness of end-system integrators to adopt them. Successful adoption of IR LEDs in turn is based on the values that they can add to different devices and equipment.

◆ Micro-LED displays may arrive on the market as early as next year

Micro-LED is a next-generation display technology that has the potential to overtake OLED in the future. While major branded companies in various industries have begun to invest in this technology, it will be some time before micro-LED can supplant TFT LCD and OLED solutions that are now available on the market. At the same time, there are many other advanced display technologies that are in the race with micro-LED to achieve commercialization and mass production. Branded companies that are intent to releasing micro-LED products have developed market positioning plans and applications that would set this technology apart from LCD or OLED. Furthermore, they are working to find the right trade-off between pixel volume and pixel density (as expressed in pixel per inch or PPI) so they can begin mass production as quickly as possible. Therefore, micro-LED displays that will soon hit the market can either have high pixel volume or high PPI but not both together. LEDinside anticipates that devices featuring micro-LED displays will arrive on the market in 2017 at the earliest.

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

Owing to government policies of most countries and global attention to energy-saving and environment protection, the Department of Statistics, MOEA reported that Taiwan's LED lighting equipment production value is rising year by year, reaching NTD 7.6 billion for the first three quarters of 2016 with annual growth rate of 14.8%. The production value for the entire 2016 is anticipated to set a new high in recent years.

Taiwan's lighting equipment production value reached its peak of NTD 24.1 billion in 1988. After 2000, with industry offshoring, the production value maintained around NTD 13.0 billion. Nontheless, as LED lighting applications expand in recent years, the lighting equipement production value jumped to NTD 1.5 billion (+12.2%) in 2014, NTD 16.4 billion in 2015, and NTD 12.7 billion in the first three quarters of 2016. The lighting equipment production value is anticipated to grow continuously, indicated by the Department of Statistics, MOEA.

Table 29 Taiwan Lighting Equipment Production Value

	2008	2009	2010	2011	2012	2013	2014	2015	2016 JAN-SEP
Total (in NTD '00 million)	114	116	140	137	135	134	150	164	127
YoY (%)	-8.3	1.7	20.5	-2.4	-1.5	-0.5	12.2	8.8	5.3
LED Lighting Equipment	8	21	36	35	44	56	75	92	76
YoY (%)	6.2	146.5	74.5	-1.8	24.7	26.9	34.5	22.7	14.8
Proportion (%)	7.3	17.7	25.6	25.8	32.6	41.6	49.9	56.2	59.6
DirectExporting (%)	96.7	87.0	78.9	74.8	69.7	68.3	74.2	79.7	74.6
Other Lighting Equipment	106	96	104	102	91	78	75	72	51

Note: LED lighting equipment refers to LED bulbs, tubes and lamps, and other lighting equipment refers to incandescent light bulbs, fluorescent lamp and other non-LED lamps.
Source: Department of Statistics, MOEA，2016/11

LED lighting has become the main driver for lighting equipment industry under government policies of most countries and global attention to energy-saving and environment protection. The Department of Statistics, MOEA indicated that the production value of LED lighting equipment, including LED bulbs, tubes and lamps, increases year by year reaching double-digit growth. In 2015, it amounted to NTD 9.2 billion, accounting for more that 50% of the production value of overall industry. Meanwhile, LED lighting equipment contributed NTD 7.6 billion production value in the first three quarters of 2016, growing 14.8% and accounting for 59.6%. The anticipation that the production value in 2016 can reach a new high reveals the effects of industrial transformation to high-value market.

The Department of Statistics, MOEA also mentioned that despite the benefits of long life time and high-efficiency, the market acceptance for LED was low due to its price at the beginning. Not until 2011 when the average selling price largely went down (from NTD 859 in 2000 to NTD256 in 2011) did the sales volume grow rapidly. In 2015, the production volume set 36.61 million units record high, which was eight times of the volume in 2011.

In response to the intense competition in the low-end lighting market, manufacturers started to adjust their production plans. According to the Department of Statistics, MOEA, the production volume of LED bulbs and tubes amounted to 26.55 million units in the first three quarters of 2016. The annual growth rate is only 13.8%, much lower than the growth in the previous years. Even though the price of LED bulbs and tubes keeps dropping, the production value continues to boost as a result of production volume increase.

Moreover, the U.S. market is the main destination of Taiwan's lighting equipment export. The lighting equipment exported from Taiwan to the U.S. market in 2015 totaled US$ 235 million, accouting for 51.6%. The production volume reduction due to the price-drop of low-end lighting and the shift to high-end lighting equipment resulted in the decline in exports. The export value was US$172 million till October 2016, 12.9% lower than the previous year, representing 48.1% of the total exports.

Table 30 Taiwan Lighting Equipment Export

		2008	2009	2010	2011	2012	2013	2014	2015	2016 JAN-OCT
Export (in US$ million)		340	256	353	470	473	441	455	455	358
	USA	116	78	97	116	133	161	196	235	172
	Japan	32	32	44	98	95	68	55	49	40
	China	59	41	73	61	49	39	34	26	25
	Germany	11	10	12	17	17	23	22	22	19
YoY (%)		-1.6	-24.8	38.2	33.0	0.7	-6.9	3.2	0.0	-6.3
	USA	-10.2	-32.4	24.7	18.9	14.8	21.1	21.4	20.0	-12.9
	Japan	6.8	0.9	37.1	121.5	-3.0	-29.2	-18.4	-10.9	-2.6
	China	-2.3	-31.1	78.4	-16.5	-20.0	-19.8	-13.6	-24.0	20.5
	Germany	5.7	-12.5	22.8	42.2	-4.1	36.7	-4.8	-1.5	6.2
Proportion (%)		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	USA	34.0	30.6	27.6	24.7	28.1	36.6	43.0	51.6	48.1
	Japan	9.4	12.7	12.6	20.9	20.2	15.3	12.1	10.8	11.3
	China	17.4	15.9	20.6	12.9	10.3	8.8	7.4	5.6	7.0
	Germany	3.4	3.9	3.5	3.7	3.5	5.2	4.8	4.7	5.3

Source: Department of Statistics, MOEA，2016/11

Many Taiwanese LED suppliers expects that the industry will recover from the bottom in 2016 and continues to rise. Mr. Chuang, General Manager of Lite-On Technology Corporation and President of TOSIA, anticipated that the production value of Taiwan LED industry will increase by 3~5% as a result of expansion of LED applications and stable price. CAGR for LED industry for the next three years is anticipated to be around 4~5%, which will drive the entire industry.

Taiwanese LED manufacturers suffered from the impact of Chinese red supply chain in the past few years. Therefore, Taiwanese companies turned to develope new technologies and new application. So far, it is not clear yet if the LED industry will bounce from the bottom in 2017. However, at least the entire market appeared to be better. For instance, the market demand for IR LED, visible light LED, general lighting and automotive lighting are increasing. Also, the industry is in better order, and the supply and demand is more balanced. Thus the LED industry is expected to have 3~5% growth in production value in 2017.

After years of rapid growth, global LED industry is gradually entering the stagnation as the growth slowing down. Nevertheless, Chinese manufacturers with rising maket share play a more and more important role in the global market. In China market, the domestic LED chip manufacturers already obtained over 70% of the market share. The packaging service providers also have shifted their capacity to China, which will maintain the packaging capacity in China on the growing path in 2017. As the technology gap between Taiwanese and Chinese companies becomes narrower, Chinese companies have apparent cost-effective advantages. At present, the capacity expansion mainly occurs in China, which will further facilitate the localization of China LED industry.

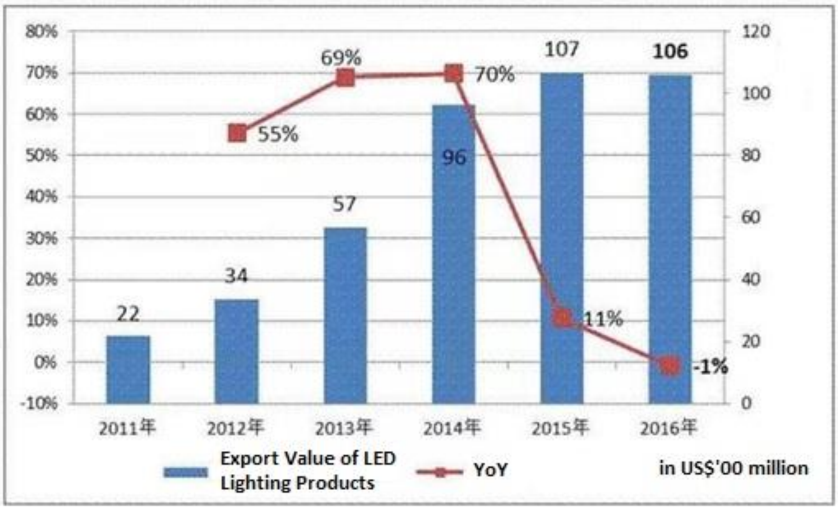
The production value of China LED lighting industry amounted to RMB 526.1 billion in 2016, growing 22.8% against 2015, indicated by CSA Research. Although it fell behind the 30% growth rate during China's 12th "five-year plan," it still slightly increase against 21% of 2015. The production value of epitaxy, the upstream, was around RMB 18.2 billion (+20%), that of packaging, the mid-stream, was around RMB 74.8 billion (+21.5%), and that of applications, the downstream, was around 428.4 billion (+23%).

Figure 50　China LED Industry Production Value

Source: CSA Research，2017/01

The export value of China lighting products declined for the first time in 2016. After years of rapid growth, the export value of China LED lighting products started to decline from 2015. In 2016, the export value of China LED lighting products was around US$10.6 billion, decreasing by 0.77%.

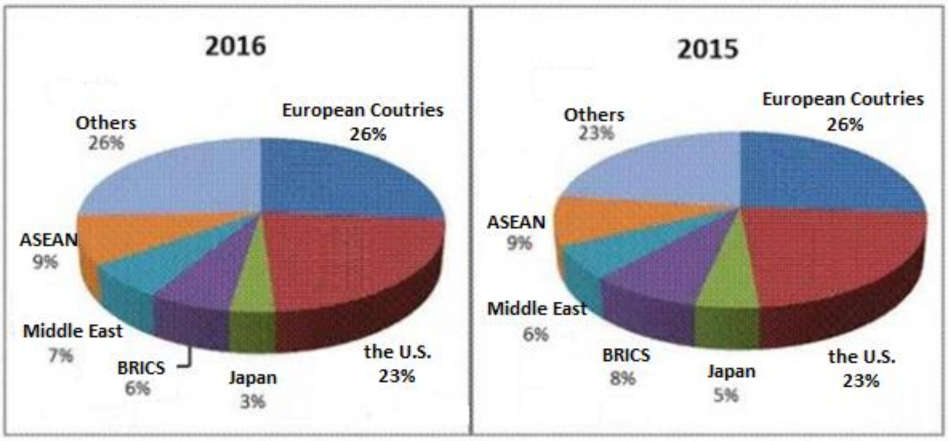
Figure 51　China LED Export Value, 2011~2016



Source: OFweek，2017/03

The export market of China LED lighting products experienced little change in 2016. The share of the Middle East increased 1%, reaching 7% in 2016. Europe, the U.S. and Japan markets remained dominant, while the share of the BRICS declined by 2%.

Figure 52　China LED Lighting Products Export Market Structure



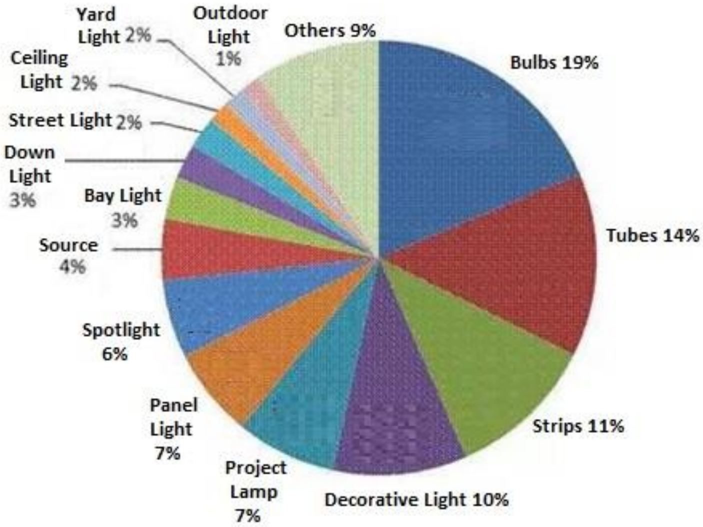
Source: OFweek，2017/03

In recent years, bulbs and tubes have been on the top three on the ranking of export value by products. The composition of export value by products did not change much. Despite non-identified lamps, which accounted for 43.32%, bulbs ranked first by export value of US$1.12 billion, accounting for 10.6%, a 9.88% increase compared to 2015.

Tubes and strips took the second and the third place. The export value of tubes amounted to US$820 million, accouting for 7.73% and declining by 11.7%. The export value of strips amounted to US$670 million, accouting for 6.28% and declining by 7.37%.

Decorative lights, project lamps and panel lights ranked the forth to the sixth. The top six product categories in total accounted for 67.56% of the LED export value in 2016 (un-identified lamps excluded).

Figure 53 China LED Lighting Products Export by Category, 2016



Source: OFweek，2017/03

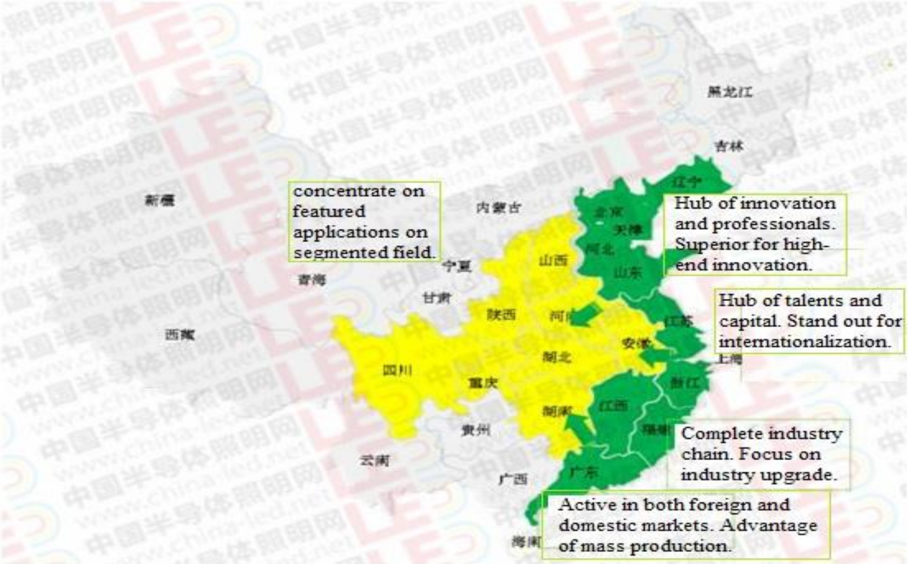
In China's domestic market, as the phase-out of incandescent lights accelerates globally, LEDs have become the main source of light. The production volume of LED lighting products in China was around 8 billion units with annaul growth rate of 33%, and the domestic sales was about 3.8 billion units with annual growth rate of 35%. The China penetration rate of LED lighting products reached 42%, 10% up from 2015. The penetration of LED lighting apparently speeded up.

Figure 54 China LED Lighting Penetration Rate

Source: CSA Research、China-led.net，2017/01

Every region has developed its feature on the map of China LED industry. Combining its own advantages, each region has found a clear position for its local LED lighting industry. For example, the Yangtze Delta works on smart lighting, smart manufacturing and healthy lighting; the Zhujiang Delta focuses on mass production and quality improvement; Xiamen has successfully transformed to energy-saving lights and served both foreign and domestic markets with its advantage of exporting; Jiangxi has established Nanchang Optical Valley optimizing Si LED's production chain, innovation chain and service chain; Sichuan and Chongqing concentrate on featured applications on segmented field. Due to the rising costs at the eastern coast, the industry began to move inward, as Yiwu, Nanchang and Chengdu are the main receivers.

Figure 55 China LED Lighting Regional Development



Source: CSA Research、China-led.net，2017/01

China LED chip industry production value reached RMB 19.1 billion in 2016, the annual growth slowing down to 17.8%, indicated by GGII. Benefiting from strong demand in the downstream market, GGII predicted that China LED chip industry remains in upward development.

In 2016, the quantity of MOCVD equipments held by China LED manufacturers increased to 1,472 units, a net increase of 100 units. The operating rate and utilization rate of MOCVD equipments in 2016 have advanced further, as the operating rate rising from 70% to 78% and utilization rate rising from 75% to 82%.

In addition to LED chips in the upstream, LED packaging industry also moves into slow development. It is anticipated that the CAGR during 2015~2020 is only 6%, much slower than that in the past years. Although the growth is obviously slowin down, the market territory is changing. The shift of global capacity of LED packaging to China speeded up, international service providers, such as Philips and Samsung, are expanding their capacity in China.

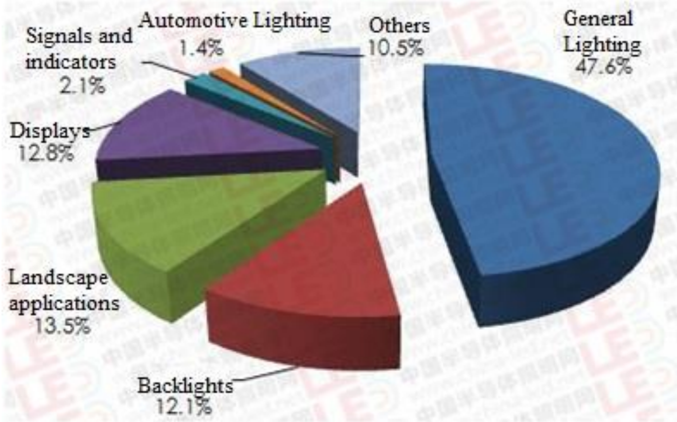
Under pressure of cost-saving, many Chinese LED manufacturers also move from Zhujiang Delta to other areas. For instance, MLS has attempted to build up factories in Jiangxi and Jiangsu. Moreover, since the result of competition start to reveal, some medium and small enterprises are seen to transfer to other industries.

Digitimes indicated as well that as the demand for large LED display is emerging, the capacity of Chinese LED packaging service providers will continue to grow in 2017. Furthermore, the capacity of LED epitaxial wafer and chip manufacturers is expected to account for over 50% of total global production volume in 2017.

LED lighting applications remained its rapid growth in 2016. Traditional applications such as general lighting, landscape application and displays grow steadily, while new applications, including agricultural lighting and automotives lighting, grow fast. Smart street lamps, fine-pitch LED displays, LED filament lamps, UV-LED and IR-LED are new popular applications.

General lighting is still the most powerful driver for LED applicaion market, indicated by CSA Research. Its production value in 2016 amounted to RMB 204 billion, growing 31.5%, and its ratio to the overall market rose from 45% in 2015 to 47.6% in 2016. As a result of the quick development in fine-pitch LED displays, the application in displays greeted growth again. The production value reached RMB 54.8 billion, growing 29% annually and accouting for 12.8% of the overall market.

Figure 56 China LED Lighting Application Distribution



Source: CSA Research、China-led.net，2017/01

Automotive lighting and beyond LED lighitng applications became new blue ocean. As more and more high-end automobiles adopt LED lamps, LED aotomotive lighting grows at a high speed with growth rate reaching 33.8%, accouting for 1.4% of the entire market. Innovative applicaions such as agricultural and medical applications also drew market attention, with growth rate exceeding 30%.

The saturation of LCD display market, the improvement in LED lighting efficiency, and the new technologies such as OLED and QLED lead to slow growth of LED backlight applications. The production value of LED backlights in 2016 was RMB 52 billion, growing only 1%. It accounted 12.1% of the entire market, declining from 14.8% in 2015.

2016, as the beginning of China’s 13th “five-year plan,” the government emphasizes on energy-saving and eco-friendly. Thus, LED lighting products must receive attention from the government and the market given its critical function of energy-saving, which will further facilitate the development of LED lighting industry. Beside of national policies, provincial governments also introduce favorable policies supporting LED industry. On November 15, 2016, Guangdong Province pointed out in its new action plan that high-end new electronic information, biomedicals and pharmaceuticals, LED, new materials and new hardwares are the new fundmental industries.

The booming of new technologies, new products and new applications provides strong groundwork and wide variety for future development of LED industry. On the other hand, when LED industry enters into maturity, it also enters into micro-profit era with intense competition and market disorder remaining. The market has reflected that the big gets bigger.

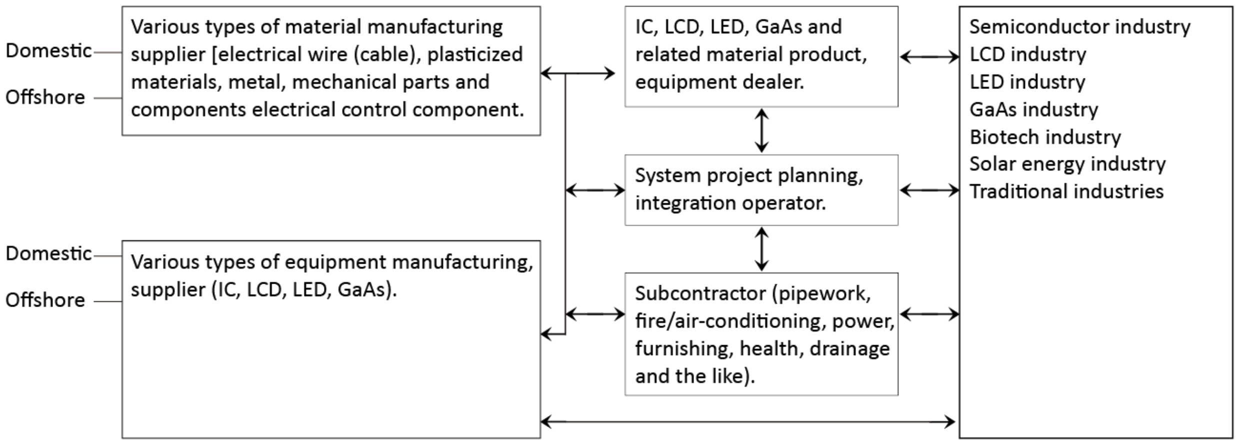
In 2017, the macroeconomy is still complicated and changing. The recovery in the U.S., Japan and Europe and the anticipation for RMB depreciation favor exporting market, which will slow down the decline in export of China LED lighting products since 2016. However, as China's economy is still at the downside in 2017 and the impact on construction industry of national strict control over real estates, it is anticipated that the growth of LED lighting will slow down in the first half of 2017. The weakened demand in the downstream also influences the upstream and the middlestream. Nontheless, with the growing penetration rate in general lighting market, the niche market including agricultual lighting, fine-pitch displays, automotive LED lighting, UV LED and IR-LED, will continue to grow in 2017.

Intelligent, Internet Plus, sharing economy and economic transforms will facilitate the development of technologies and broaden the application of LED industry in 2017, anticipated by CSA Research. At the meantime, the LED-related policies introduced in China's 13th "five-year plan" and "green lighting four stage" will bring new opportunities and challenges to LED lighting industry in 2017.

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.

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 a survey of Σintell, a market research agency of China, the global LCD display panel shipments was 258 million in 2016, which had a drop by 2.5%. The shipment area reached 130 million square meters, which had an increase by 8%. The global display panel shipments of China accounted for a market share of 30%, and has exceeded the market share of 26.4% in Taiwan for the first time, moving up to the world's second top. Σintell believes that with the gradually built new mass production lines of BOE and HKC to enhance production capacity, China's display panel market share will continue to steadily improve, and will further challenge the market leadership of Korea by 2017 and 2018. Tthe shipments of large-size LCD panel in Taiwan is estimated at 57.07 million peices in the first quarter of 2017, which slightly rise up and account for 34.5% of the global shipments, hitting a new high over the past three quarters.

(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 timly 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 Al203, 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 fro 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 inceptions. 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 indispensible, 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 is 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. Marketech 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 introduction 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-tie competitive biding 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 furbishing, 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 Tropel 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 Tropel continues to reign in technology.

(1.5) Jordan Valley 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 ceratin 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 poise 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 proejcts.

(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 modualized panel to command a competitive edg 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)

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)

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 thier 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 n 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 pants' 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, in participates in Wen Mao plants' expansion facility turnkey project, JNC turnkey project, and the first phase of water treatment plant at STSP.

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	2015		2016		2017 up to March 31	
	Personnel	Ratio (%)	Personnel	Ratio (%)	Personnel	Ratio (%)
Doctoral	5	10.42	5	10.00	4	8.16
Master	30	62.50	31	62.00	31	63.27
B.A.	10	20.83	11	22.00	11	22.45
College	3	6.25	3	6.00	3	6.12
Total	48	100.00	50	100.00	49	100
Average seniority	3.5		4.23		4.00	

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 / Item	2016	2017 up to March 31
Research and development expenses (A)	209,703	43,485
Operating income (B)	18,650,941	5,193,868
Ratio (A)/(B) (%)	1.12	0.84

Note: The figures are disclosed based on the 2016 CPA-audited consolidated financial statements and the 2017 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	RYD 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	8th 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

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; %

Year / Sale or service area	2015		2016	
	Amount	Ratio (%)	Amount	Ratio (%)
Taiwan	9,338,747	51.79	8,759,422	46.97
Mainland China	5,600,175	31.06	5,601,629	30.03
Other	3,092,702	17.15	4,289,890	23.00
Total	18,031,624	100.00	18,650,941	100.00

Note: The above figures are disclosed based on the the 2015 and 2016 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, photoresis 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 (Toufen Plant). 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

In Taiwan, we have acquired orders from telecom companies, and provided information system development, consultant and labor services while creating teams with international level network & communication vendors and information vendors to participate in deploying related bidding cases with the systems of 4G telecom companies, including business support system(BSS), operation support system (OSS), and content value adding service etc.

(2.5)Business Information Service Aspect

In addition to providing professional information services required by the Group continuously, professional services, such as enterprise commercial exploration, enterprise resource system, enterprise information based infrastructure etc. are further engaged in.

(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

According to Gartner, a Market research firm, the global capital expenditure in the semiconductor industry is expected to grow by 2.9% to $ 69.9 billion US dollars in 2017, driven by a growth of 5.1% in 2016. Moreover, this growth trend is going to maintain for three years from 2017 to 2019. It is estimated that by 2019, the global capital expenditure in the semiconductor industry will reach $ 78.3 billion US dollars. Gartner indicated that the strong growth of the global capital expenditure in the semiconductor industry in 2016 was driven by the expenditure growth at the end of that year. The cause of this expenditure growth is the shortage of NAND flash memory, which had worsened by the end of 2016, and is expected to remain for most of the time in 2017.

According to the latest research report of the research institution IC Insights, the average compound annual growth rate (CAGR) of DRAM and NAND flash memory is going to reach 7.3% for the next five years, which is 4.9% higher than the compound annual growth rate of the overall IC market, and the output value is expecred to increase from $ 77.3 billion US dollars last year to $ 109.9 billion.

IC Insights estimates that the dynamic random access memory (DRAM) and NAND Flash market is going to exceed $ 100 billion US dollars and reach $ 109.9 billion by 2021. The compound annual growth rate will reach 7.3% from 2016 to 2021.

In addition, IC Insights estimates that the compound annual growth rate of analog IC market will be around 5.2% from 2016 to 2021, which will have the second largest growth among IC markets; the compound annual growth rate of logic IC market will be about 2.9%, which will have the weakest growth among IC markets.

In the panel sector, the shipments of large-size LCD panel in Taiwan is estimated at 57.07 million peices in the first quarter of 2017, which slightly rise up and account for 34.5% of the global shipments, hitting a new high over the past three quarters. As the overall supply and demand reationship is beneficial to panel manufacturers, plus in the first quarter, Samsung Display shut down its L7-1 line, which is responsible for TV panel production, customers were driven to enhance their panel supply, contributing to a better overall performance than the average industry performance in Taiwan. In the first quarter of 2017, the annual growth in shipments in Taiwan is estimaated to touch 15.5%.

DIGITIMES Research estimates the global annual growth rate of high-brightness LED output to be at 2.8% , and reach $ 13.18 billion US dollars in 2017. After the growth momentum of LED industry reached its peak in 2014, the growth gradually slowed down over the next few years. As for the number of LED consumption, it will reach 303.75 billion in 2017 with an annual growth rate of 23.9%. Among the usage, lighting applications have the highest annual growth rate, which is up to 39.2%. As for the proportion of LED consumptions in 2017, lighting applications will account for up to 66%, mobile device (mainly for mobile phones) used LED light source and large size LED backlighting together will account for 20.8%, and billboard and car used LED will be 5.6% and 4.7% respectively. With respect to the annual rate of LED consumption in 2017, positive growths (from high to low) are shown in lighting, car, billboard, TV backlight, and mobile device application; on the other hand, negative growth are shown in Tablet, NB, and Monitor with declined annual rate between 5.2 ~ 11.9%.

(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 continus 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.

(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.

Manufacturer	Product	Function
	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.
Japan Athlete FA	Wafer Mounter	Applied in advanced WLCSP process; it grows solder balls on appropriate locations on wafer surface.
USA DOW Chemical	OLED materials; photoresist materials; Photo Spacer; organic isolation materials	OLED deposition process; TFT yellow light process; CF sensitive separator; advanced process
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 MCK	Glass Cleaning Cartridge	Suitable for cleaning glass of LCD chip fragment
Germany HENKEL	ODF Sealant	Suitable for sealing glass of LCD CELL fragment
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.
Belerus KBTEM-OMO	Photomask pattern generator, inspection and repair	Applicable to photomask industry

(2) Automation SupplyingSystem

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 collectionand 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 communiactions 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,

Category	Application
	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. ③ Order Management System for managing consumers' orders, supplying equipment, and arranging supply and installation. ④ Call Center System for providing a channel for customer service, handling customer calls, and notifying customers by phone.
Operations Support System (OSS)	Suitable for: Suppliers for telecommunications service, content service and Internet service. Scope: Plan, design, introduce and maintain relevant systems, including: ① Provisioning System for setting network equipment, arranging network resources, and opening authority limits of consumer accounts. ② Fault Management System for controlling operational status of network equipment, and collecting and handling fault alert messages. ③ Performance Management System for control operational efficiency of network equipment, and collecting and handling fault alert messages.
Value-added Service System	Suitable for: Suppliers for telecommunications service, content service and Internet service. Scope: Plan, design, introduce and maintain relevant systems, including: ① Short Message System: interconnect short message center, provide sending of enterprise marketing/notification messages. ②e-Books System: provide management, subscription and charging of e-book store members. 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. ④ Voice Service VPN System: provide internal mobile phone VPN service; can adopt code dialing and call saving; integrated with webcam function.
Enterprise Resource Planning System	Suitable for: Manufacturing and engineering related industries. Scope: Plan, design, introduce and maintain relevant systems, including: 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. 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 consts. ③ Acounting 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. 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.
Business Intelligent Product (QlikView)	Suitable for: Various industries; currently focused on manufacturing, distribution and telecommunications related industries. Scope: Plan, design, introduce and maintain relevant systems, including: ① QlikView tool ② Customized system outsourcing service ③ Consultation service

(3) ITotal Facility Engineering Turnkey Project

Category	Application
Turn-key Project	Suitable for: hi-tech related plant building affairs. 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.
Total Turnkey Hook-up Project	Suitable for: Semiconductor, photoelectricity, biotechnology and other hi-techindustries. Scope: Gas piping, chemical piping, UPW piping, vacuum piping, exhaustion piping, etc.; integration of at least 14 items.
General Engineering	Suitable for: Petrochemical industry, general traditional production industry. 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.

(4) R &D and manufacturing of customized equipment

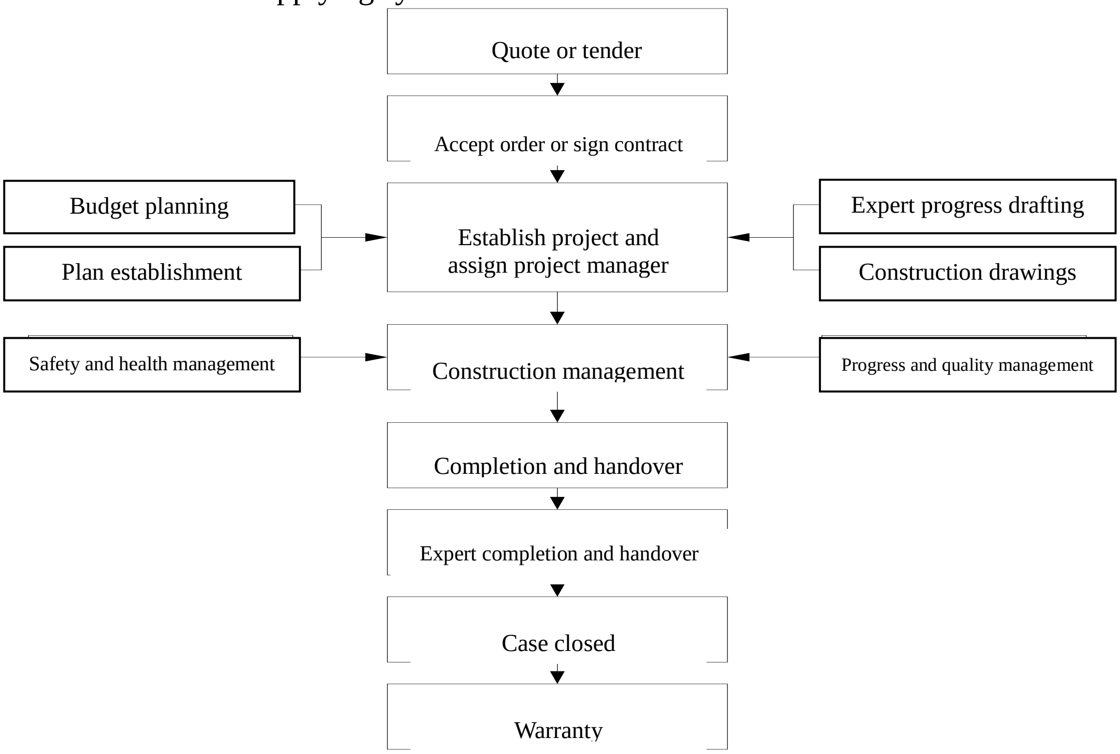
Category	Application
Customized equipment	Suitable for: IC, LCD, O-LED, solar energy and other traditional industries.

Category	Application
manufacturing	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.
	Suitable for: electronics and other relevant industries. 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.

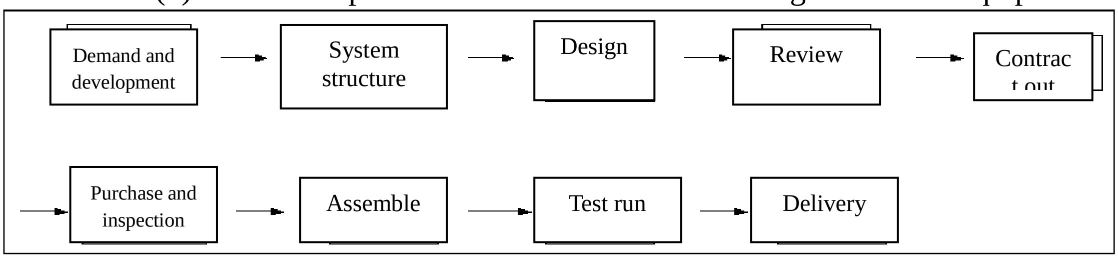
2.2.2. Production process of major product

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 Projectand Automatic Supplying system



(2) Production process of R&D and manufacturingcustomized 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; %

	2015				2016				As of March 31, 2017			
Item	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	3,344,098	18.55	Non-related	Customer A	2,966,910	15.91	Non-related	Customer A	792,616	15.26	Non-related
2	Customer B	1,316,020	7.30	Non-related	Customer B	1,885,260	10.11	Non-related	Customer B	637,760	12.28	Non-related
	Other	13,371,506	74.15		Other	13,798,771	73.98		Other	3,763,492	72.46	
	Net sales	18,031,624	100.00		Net sales	18,650,941	100.00		Net sales	5,193,868	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 2015 and 2016 consolidated financial statement certified by the accountant and 2017 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 affiars 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 suplly 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	2015			2016		
	Capacity	Yield	Output value	Capacity	Yield	Output value
Sales and service ofhigh-tech equipment and materials	Note	Note	3,899,566	Note	Note	4,264,156
Automation supply system			3,733,214			3,553,783
Total Facility Engineering Turnkey Project			4,889,794			4,475,825
R&Dand manufacturing of customized equipment			3,494,448			4,109,520
Total			16,017,022			16,403,284

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 2015 and 2016.

Variation analysis:

Our group benefited from the continual economic upturn of the semiconductor, optoelectronics, and other electronics industries in 2016 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 2016 compared to the previous year. Thus, our value of output had increased as well.

2.6 Sales volume for the recent two years

Unit: thousand NTD

Major merchandise (dept.) / Sales volume / Year	2015			2016		
	Region			Region		
	Taiwan	China	Other	Taiwan	China	Other
Sales and service for hi-tech equipment and materials	2,260,222	2,326,375	176,096	2,728,294	2,307,626	103,324
Automation supply system	3,429,209	645,722	116,529	2,852,069	837,503	364,687
Total Facility Engineering Turnkey Project	2,941,385	2,003,774	99,959	2,452,198	2,035,404	43,207
R&D and manufacturing of customized equipment	707,931	624,304	2,700,118	726,861	421,096	3,778,672
Total	9,338,747	5,600,175	3,092,702	8,759,422	5,601,629	4,289,890

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 2015 and 2016.

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 2016 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 2016 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		2015	2016	As of March 31, 2017
Number of employees	Direct worker	779	727	735
	Indirect worker	771	758	759
	Total	1,550	1,485	1,494
Average age		35.22	37.59	37.43
Average years of service		6.68	7.68	7.53
Education distribution ratio (%)	Doctor	0.65	0.86	0.86
	Master	11.48	12.23	11.79
	University	40.26	42.23	42.32
	Junior college	29.74	29.39	30.66
	Other	17.87	15.29	14.37

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 dexcribe 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 sytem 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 assemlying 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 imiplemented 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 establied by the Bureau of Labar 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 banefit 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 annualreports 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 annualy 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 annualy 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	Shinhan Diamond	From 2014.04.07 to 2017.04.06;	Distribution rights	For use in China

Nature	Contracting party	Commencement date and termination date	Mainn contents	Restriction terms
agreement	Industrial Co., Ltd. , Korea	effectiveforone year	to diamond tools	
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 extendedupon 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 extendedupon expiration if there are no objections	Sales, installation and service of inspection equipment	For use in Taiwan, China
Agency agreement	Strasbaugh,USA	From 2016.03.30; automatically extended annually if not terminated in writing by either party sixty days in advance		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		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 thirty days in advance		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

1.1Consolidated 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 31,2017 Financial Information (Note3)
		2012	2013	2014	2015	2016	
Current assets		7,121,815	8,007,542	9,793,274	9,930,954	12,178,315	11,965,364
Property, Plant and Equipment (note 2)		1,406,916	1,519,952	1,461,476	1,419,554	1,388,586	1,425,581
Intangible assets		15,156	38,251	32,781	23,045	21,619	20,748
Other assets(note 2)		475,612	520,692	488,029	552,673	494,262	515,588
Total assets		9,019,499	10,086,437	11,775,560	11,926,226	14,082,782	13,927,281
Current liabilities	Before distribution	4,845,661	5,795,555	7,231,258	7,300,177	8,845,356	8,609,879
	After distribution	5,010,239	5,977,117	7,561,398	(Note 6) 7,630,317	((Note 6) 9,208,509	((Note 6) 8,609,879
Non-current liabilities		178,650	168,040	164,750	161,251	632,231	451,428
Total liabilities	Before distribution	5,024,311	5,963,595	7,396,008	7,461,428	9,477,587	9,061,307
	After distribution	5,188,889	6,145,157	7,726,148	(Note 6) 7,791,568	(Note 6) 9,840,740	(Note 6) 9,061,307
Equity attributable to shareholders of the parent		3,984,176	4,119,298	4,375,458	4,459,596	4,607,611	4,871,836
Capital stock		1,645,778	1,650,568	1,650,698	1,650,698	1,650,698	1,715,019
Capital surplus		613,177	616,276	616,354	618,773	648,446	758,055
Retained earnings	Before distribution	1,761,007	1,840,239	2,050,443	2,164,227	2,335,452	2,491,082
	After distribution	1,596,429	1,658,677	1,720,303	(Note 6) 1,834,087	(Note 6) 1,972,299	(Note 6) 2,491,082
Other equity interest		(35,786)	12,215	57,963	25,898	(26,985)	(92,320)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		11,012	3,544	4,094	5,202	(2,416)	(5,862)
Total equity	Before distribution	3,995,188	4,122,842	4,379,552	4,464,798	4,605,195	4,865,974
	After distribution	3,830,610	3,941,280	4,049,412	(Note 6) 4,134,658	(Note 6) 4,242,042	(Note 6)4,865,974

- 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 2017 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 2016 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$thousands
(Except Earnings Per Share using NT$.)

Year / Item		Financial Summary for The Last Five Years (Note1)					As of March 31,2017 Financial Information (Note2)
		2012	2013	2014	2015	2016	
Operating revenue		10,536,388	14,042,274	14,965,399	18,031,624	18,650,941	5,193,868
Gross profit		1,293,857	1,543,553	1,759,065	2,014,602	2,247,657	4,560,449
Operating Income		(7,931)	252,330	504,299	574,436	700,300	266,721
Non-operating Income/expense		156,061	27,889	(36,114)	11,953	(27,687)	(73,349)
Earnings before tax		148,130	280,219	468,185	586,389	672,613	193,372
Net income from continuing operations		114,484	218,815	384,519	459,985	511,263	151,978
Loss from discontinued operations(Note3)		0	0	0	0	0	0
Net income (loss)		114,484	218,815	384,519	459,985	511,263	151,978
Other comprehensive income (net after tax)		(180,706)	69,767	53,560	(47,018)	(65,992)	(65,129)
Current comprehensive income/loss		(66,222)	288,582	438,079	412,967	445,271	86,849
Net earnings attributable to owners of the parent		125,622	222,615	384,545	458,724	515,151	155,630
Net earnings attributable to non-controlling interest		(11,138)	(3,800)	(26)	1,261	(3,888)	(3,652)
Comprehensive income/loss attributable to owners of the parent		(54,434)	292,058	437,984	411,859	449,009	90,295
Comprehensive income/loss attributable to non-controlling interest		(11,788)	(3,476)	95	1,108	(3,738)	(3,446)
Earnings per share (in dollars)	Basic earnings per share－current(Note5)	0.76	1.35	2.33	2.78	3.12	0.93
	Diluted earnings per share－current(Note5)	0.75	1.34	2.30	2.73	2.95	0.84
	Adjusted Diluted Earnings per Share(Note6)	0.75	1.34	2.30	2.73	2.95	0.84

- 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 hasnot been certified and reviewed by accountant. Above 2017 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)				
		2012	2013	2014	2015	2016
Current assets		4,459,359	4,548,885	6,068,094	6,113,781	8,040,543
Property, Plant and Equipment (note 2)		1,093,825	1,213,528	1,168,848	1,126,399	1,120,544
Intangible assets		10,594	11,097	14,469	12,265	15,515
Other assets(note 2)		1,754,474	1,817,484	1,946,783	2,089,477	1,861,272
Total assets		7,318,252	7,590,994	9,198,194	9,341,922	11,037,874
Current liabilities	Before distribution	3,156,296	3,304,341	4,658,617	4,720,326	5,773,977
	After distribution	3,320,874	3,485,903	4,988,757	5,050,466	(Note 6) 6,137,130
Non-current liabilities		177,780	167,355	164,119	162,001	656,286
Non-current liabilities	Before distribution	3,334,076	3,471,696	4,822,736	4,882,325	6,430,263
	After distribution	3,498,654	3,653,258	5,152,876	5,212,465	(Note 6) 6,793,416
Capital stock		1,645,778	1,650,568	1,650,698	1,650,698	1,650,698
Capital surplus		613,177	616,276	616,354	618,773	648,446
Retained earnings	Before distribution	1,761,007	1,840,239	2,050,443	2,164,227	2,335,452
	After distribution	1,596,429	1,658,677	1,720,303	1,834,087	(Note 6) 1,972,299
Other equity interest		(35,786)	12,215	57,963	25,898	(26,985)
Total equity	Before distribution	3,984,176	4,119,298	4,375,458	4,459,596	4,607,611
	After distribution	3,819,598	3,937,736	4,045,318	4,129,456	(Note 6) 4,244,458

- 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 2017 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 2016 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$thousands
（Except Earnings Per Share using NT$.）

Year / Item		Financial Summary for The Last Five Years (Note1)				
		2012	2013	2014	2015	2016
Operating revenue		7,056,873	9,518,958	10,432,963	12,482,462	13,308,343
Gross profit		838,948	1,109,391	1,288,867	1,485,761	1,749,009
Operating Income		6,333	324,160	520,967	616,331	770,176
Non-operatingIncome/expense		150,281	(43,368)	(56,129)	(42,814)	(98,650)
Earnings before tax		156,614	280,792	464,838	573,517	671,526
Net income from continuing operations		125,622	222,615	384,545	458,724	515,151
Loss from discontinued operations(Note3)		0	0	0	0	0
Net income (loss)		125,622	222,615	384,545	458,724	515,151
Other comprehensive income (net after tax)		(180,056)	69,443	53,439	(46,865)	(66,142)
Current comprehensive income/loss		(54,434)	292,058	437,984	411,859	449,009
Earnings per share (in dollars)	Basic earnings per share－current(Note5)	0.76	1.35	2.33	2.78	3.12
	Diluted earnings per share－current(Note5)	0.75	1.34	2.30	2.73	2.95
	Adjusted Diluted Earnings per Share(Note6)	0.75	1.34	2.30	2.73	2.95

- 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 2017 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 2016 profit distribution has not yet been approved by Shareholders’ Meeting.

1.2 Consolidated Financial Information – Based on ROC GAAP

1.2.1. Consolidated Financial Statement

(1)Consolidated Condensed Balance Sheet–Based on ROC GAAP (Consolidated Financial Statement)

Unit: NT$thousands

Year / Item		Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Current assets		7,263,470				
Property, Plant and Equipment		368,651				
Intangible assets		1,406,916				
Intangible assets and Other assets		45,789				
Total assets		9,084,826				
Current liabilities	Before distribution	4,955,827				
	After distribution	5,120,405	Not applicable	Not applicable	Not applicable	Not applicable
Long-term liabilities		6,235				
Other liabilities		53,080				
Total liabilities	Before distribution	5,015,142	Not applicable	Not applicable	Not applicable	Not applicable
	After distribution	5,179,720				
Capital stock		1,645,778				
Capital surplus		615,790	Not applicable	Not applicable	Not applicable	Not applicable
Retained earnings	Before distribution	1,739,008				
	After distribution	1,574,430				
Unrealized gain or loss on financialinstruments		5,008				
Cumulative translation adjustments		52,868				
Net loss unrecognized as pension cost		0				
Treasury stock		0				
Minority Interests		11,232				
Total equity	Before distribution	4,069,684				
	After distribution	3,905,106				

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 2017 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. The Company has, starting from 2013, adopted "International Financial Reporting Standards". Please refer to financial statements adopted "International Financial Reporting Standards".

(2) Consolidated Condensed Statement of Income – Based on ROC GAAP (Consolidated Financial Statement)

Unit: NT$thousands
（Except Earnings Per Share using NT$.）

Year / Item		Financial Summary for The Last Five Years				
		2012	2013	2014	2015	2016
Operating revenue		11,644,490				
Gross profit		1,461,959				
Income from operations		158,316				
Non-operating income		226,111				
Non-operating expenses		73,600	Not applicable	Not applicable	Not applicable	Not applicable
Income before tax		310,827				
Income from operations of continuedsegments - after tax		249,269				
Income from discontinued operations (Note:3)		0	Not applicable	Not applicable	Not applicable	Not applicable
Extraordinary gain or loss (Note:3)		0				
Cumulative effect of accounting principle changes (Note:3)		0				
Net income		249,269	Not applicable	Not applicable	Not applicable	Not applicable
Net income (loss) attributable to shareholders of parent		259,406				
Net income (loss) attributable to non controlling interests		(10,137)				
Earning per Share (NT$)	Basic Earning per Share-Current (Note: 5)	1.58				
	Diluted Earning perShare-Current (Note: 5)	1.56				
	Retrospectivelyadjusted Earnings per share (Note: 6)	1.56				

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 2017 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. The Company has, starting from 2013, adopted "International Financial Reporting Standards". Please refer to financial statements adopted "International Financial Reporting Standards".

1.2.2. Separate Financial Information – Based on ROC GAAP

(1)Condensed Balance Sheet – Based on ROC GAAP (Individual Financial Report)

Unit: NT$ thousands

Year / Item		Financial Summary forThe Last Five Years（Note: 1）				
		2012	2013	2014	2015	2016
Current assets		4,543,201				
Funds &Long-term investments		1,638,482				
Fixed assets (Note: 2)		1,093,825				
Intangible assets and Other assets		20,544				
Total assets		7,296,052	Notapplicable	Notapplicable	Notapplicable	Not applicable
Current liabilities	Before distribution	3,179,155				
	After distribution	3,343,733				
Long-term liabilities		0				
Other liabilities		58,445	Notapplicable	Not applicable	Notapplicable	Not applicable
Total liabilities	Before distribution	3,237,600				
	After distribution	3,402,178				
Capital stock		1,645,778				
Capital surplus		615,790	Notapplicable	Not applicable	Notapplicable	Not applicable
Retainedearnings	Before distribution	1,739,008				
	After distribution	1,574,430				
Unrealized gain or loss on financial instruments		5,008				
Cumulative translation Adjustments		52,868				
Net loss unrecognizedas pension cost		0				
Tresury stock		0				
Total equity	Before distribution	4,058,452				
	After distribution	3,893,874				

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 2017 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. The Company has, starting from 2013, adopted "International Financial Reporting Standards". Please refer to financial statements adopted "International Financial Reporting Standards".

(2) Condensed Statement of Income–Based on ROC GAAP (Individual Financial Statement)

Unit: NT$ thousands
（Except Earnings Per Share using NT$.）

Year / Item		Financial Summary forThe Last Five Years（Note: 1）				
		2012	2013	2014	2015	2016
Operating revenue		8,153,149				
Gross profit		989,864				
Income from operations		156,494	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Non-operating income		212,290				
Non-operating expenses		50,474				
Income before tax		318,310				
Income from operations of continuedsegments - after tax		259,406	Not Applicable	Not Applicable	Not Applicable	Not applicable
Income from discontinued operations (Note:3)		0				
Extraordinary gain or loss (Note:3)		0	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Cumulative effect of accounting principles changes (Note:3)		0				
Net income		259,406				
Earning per Share (NT$)	Basic Earning per Share-Current (Note: 5)	1.58				
	Diluted Earning perShare-Current (Note: 5)	1.56				
	Retrospectively Adjusted Earning Per share (Note: 6)	1.56				

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 2017 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. The Company has, starting from 2013, adopted "International Financial Reporting Standards". Please refer to financial statements adopted "International Financial Reporting Standards".

1.3The uniformed comparison items affecting the current financial report, such as accounting changes, corporate combinations or the discontinuation of business departments: None

1.4 The names and the certiyfing remarks made by the accountatns of the laterst five years:

Years	Accounting Firms	Names of accounts	Certifying remarks
2012	PricewaterhouseCoopers Taiwan	Lin, Chun-Yao & Wong, Shu-rong	Unqualified
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

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, 2017 (Note 2)
		2012	2013	2014	2015	2016	
Capital structure analysis (%)	Debts Ratio	55.70	59.12	62.81	62.56	67.30	65.06
	Long Term Funds to Fixed Assets	296.67	282.30	310.94	325.88	377.18	373.00
Liquidity analysis (%)	Current Ratio	146.97	138.17	135.43	136.04	137.68	138.97
	Quick Ratio	108.94	99.99	101.87	99.78	102.89	101.65
	Interest Guarantee (times)	7.88	12.58	16.47	16.15	12.88	12.98
Operating performance analysis	Average Collection Turnover (times)	3.14	4.72	4.60	5.14	4.55	4.74
	Average Collection Days	116	77	79	71	80	77
	Average Inventory Turnover (times)	3.36	3.44	3.10	3.43	3.44	3.59
	Average Payables Turnover (times)	2.87	4.33	3.67	4.13	4.16	4.20
	Average Inventory Turnover Days	109	106	118	106	106	102
	Fixed Asset Turnover (times)	7.34	9.60	10.04	12.52	13.28	14.76
	Total Asset Turnover (times)	1.10	1.47	1.37	1.52	1.43	1.48
Return on investment analysis	Return on Total Asset (%)	1.39	2.50	3.75	4.15	4.29	4.72
	Return on Total Equity (%)	2.78	5.39	9.04	10.40	11.27	12.84
	Pre-tax Profit to Capital Stocks (%)(Note 8)	(0.48)	15.29	28.36	35.52	40.75	45.10
	Net Income to Sales(%)	1.09	1.56	2.57	2.55	2.74	2.93
	Earnings per Share(NT) (Note 3)	0.76	1.35	2.33	2.78	3.12	0.93
Cash flow analysis	Cash Flow Ratio(%)	5.68	(3.97)	7.85	(2.70)	(2.71)	3.61
	Cash Flow Adequacy Ratio (%) (Note 6)	128.25	84.48	56.44	14.85	5.28	7.48
	Cash Flow Reinvestment Ratio (%)	2.07	(7.16)	6.71	(8.89)	(8.65)	4.69
Leverage	Operating Leverage	(108.25)	4.36	2.62	2.65	2.46	1.91
	Financial Leverage	0.27	1.11	1.06	1.07	1.09	1.06

Note on variation in capital ratio in the previous two years (Not applicable if the variation is < 20%)

1. Operating Performance Analysis:

Interest protection had fallen in multiple times: Mainly due to the bank loan that increased financial cost in 2016 and the increase in financial cost was greater than the increase in profit. Therefore, the interest protection in 2016 had fallen in multiple times compared to in 2015.

2.Earning-Generating Analysis：

The reasons for the rise of our group’s operating income to capital stock ratio are mainly due to the continual economic upturn of the semiconductor, optoelectronics, and other electronics industries in 2016 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 2016 compared to the previous year.

3. Cash Flow Analysis：

A fall in cash flow adequacy ratio: Mainly due to the decrease in cash inflows from operating activities in the past five years, as well as the increase in inventory and capital expenditures altogether resulted in the decrease in cash flow adequacy ratio in 2016 compared to the previous year.

＊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 2016/3/31) 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, iInventory 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：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） / Year		Financial Analysis over the last Five Years（Note1）				
		2012	2013	2014	2015	2016
Financial structure (%)	Debts ratio	45.56	45.73	52.43	52.26	58.26
	Ratio of long-term capital to property, plant and equipment	380.50	353.24	388.38	410.30	469.76
Solvency (%)	Current ratio	141.28	137.66	130.26	129.52	139.25
	Quick ratio	103.16	96.58	98.92	93.04	100.19
	Interest earned ratio (times)	198.00	126.92	158.04	71.28	55.50
Operating performance	Accounts receivable turnover (times)	3.23	5.23	5.08	5.52	5.10
	Average collection period	113	70	72	66	72
	Inventory turnover (times)	2.99	2.88	2.95	3.35	3.55
	Accounts payable turnover (times)	2.83	4.19	3.43	3.85	4.06
	Average days in sales	122	127	124	109	103
	Property, plant and equipment turnover (times)	6.52	8.25	8.76	10.88	11.85
	Total assets turnover (times)	0.92	1.28	1.24	1.35	1.31
Profitability	Return on total assets (%)	1.64	3.01	4.61	5.02	5.16
	Return on stockholders' equity (%)	3.07	5.49	9.05	10.38	11.36
	Pre-tax income to paid-in capital (%) (Note 8)	9.52	17.01	28.16	34.74	40.68
	Profit ratio (%)	1.78	2.34	3.69	3.67	3.87
	Earnings per share (NT$) (Note 3)	0.76	1.35	2.33	2.78	3.12
Cash flow	Cash flow ratio (%)	15.55	4.80	13.55	4.82	2.03
	Cash flow adequacy ratio (%)(Note 6)	115.43	117.52	100.50	50.51	45.60
	Cash reinvestment ratio (%)	6.70	(0.12)	8.44	(1.88)	(3.45)
Leverage	Operating leverage	90.56	2.63	2.02	1.99	1.92
	Financial leverage	1.14	1.01	1.01	1.01	1.02

Note on variation in capital ratio in the previous two years (Not applicable if the variation is < 20%)

1.Solvency：

Interest protection had fallen in multiple times: Mainly due to the bank loan that increased financial cost in 2016 and the increase in financial cost was greater than the increase in profit. Therefore, the interest protection in 2016 had fallen in multiple times compared to in 2015.

2.Operating Performance Analysis:

The reasons for the rise of our group’s operating income to capital stock ratio are mainly due to the continual economic upturn of the semiconductor, optoelectronics, and other electronics industries in 2016 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 2016 compared to the previous year.

3.Cash Flows：

(1)A fall in cash flow adequacy ratio: Mainly due to the decrease in cash inflows from operating activities in the past five years, as well as the increase in inventory and capital expenditures altogether resulted in the decrease in cash flow adequacy ratio in 2016 compared to the previous year.

(2)A fall in cash re-investment ratio: Mainly due to a decrease in cash inflows from operating activities and an increase in the cost of real estates, factories, and working capital altogether resulted in a decrease in cash re-investment ratio in 2016 compared to the previous year.

＊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, iInventory 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

2.2 Financial report under Financial Accounting Standards, Taiwan

2.2.1.Consolidated financial analysis－Financial Accounting Standards, Taiwan (Consolidated financial report)

Year / Analyzed items			Financial Analysis over the last Five Years（Note1）				
			2012	2013	2014	2015	2016
Financial structure (%)	Debts ratio		55.20				
	Ratio of long-term capital to property, plant and equipment		289.71				
Solvency (%)	Current ratio		146.56				
	Quick ratio		91.18				
	Interest earned ratio (times)		15.43				
Operation capacity	Account receivable turnover (time)		3.25	NotApplicable	NotApplicable	NotApplicable	NotApplicable
	Average collection period		112.39				
	Inventory turnover (times)		3.43				
	Accounts payable turnover (times)		2.54				
	Average days in sales		106				
	Property, plant and equipment turnover (times)		8.28				
	Total assets turnover (times)		1.28				
Profitability	Return on total assets (%)		2.80				
	Return on stockholders' equity (%)		6.05				
	Ratio to issued capital (%)	Operating income	9.62				
		Pre-tax income	18.89				
	Profit ratio (%)		2.14				
	Earnings per share (NT$) (Note 3)		1.58				
Cash flows	Cash flow ratio (%)		5.33				
	Cash flow adequacy ratio (%)(Note 6)		108.69				
	Cash reinvestment ratio (%)		1.90				
Balance	Operating leverage		7.04				
	Financial leverage		1.16				

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 above financial reports.

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 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, iInventory 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 fixed assets refers to the net of accumulated depreciation of fixed assets.

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 judgments involved.

Note 8: We prepare financial reports under IFRSs, International Financial Reporting Standards since 2013, please refer to financial reports under IFRSs, International Financial Reporting Standards.

2.2.2. Individual financial analysis－Financial Accounting Standards, Taiwan (Individual financial report)

Year / Analyzed items (Note 4)			Financial analysis within 5 years（Note 1）				
			2012	2013	2014	2015	2016
Financial structure (%)	Debts ratio		44.37				
	Ratio of long-term capital to property, plant and equipment		371.03				
Solvency (%)	Current ratio		142.91				
	Quick ratio		85.98				
	Interest earned ratio (times)		401.39				
Operating performance	Accounts receivable turnover (times)		3.52	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	Average collection period		104				
	Inventory turnover (times)		3.15				
	Accounts payable turnover (times)		2.39				
	Average days in sales		116				
	Property, plant and equipment turnover (times)		7.45				
	Total assets turnover (time)		1.12				
Profitability	Return on total assets (%)		3.41				
	Return on stockholders' equity (%)		6.35				
	Ratio to issued capital (%)	Operating income	9.51				
		Pre-tax income	19.34				
	Profit ratio (%)		3.18				
	Earnings per share (NT$) (Note 3)		1.58				
Cash flow	Cash flows ratio (%)		15.44				
	Cash flow adequacy ratio (%)(Note 6)		119.31				
	Cash reinvestment ratio (%)		6.66				
Leverage	Operating leverage		4.63				
	Financial leverage		1.01				

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 above financial reports.

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 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, iInventory 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 fixed assets refers to the net of accumulated depreciation of fixed assets.
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 judgments involved.
Note 8: We prepare financial reports under IFRSs, International Financial Reporting Standards since 2013, please refer to financial reports under IFRSs, International Financial Reporting Standards.

3. Audit Committee's Report in the most recent fiscal year

Marketech International Corp.

Audit Committee Audit Report

To: Members of the 2017 Shareholders' Meeting

We, as the Audit Committee of MIC Group, have audited the 2016 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 Lin Chun-Yao and Independent Accountant Chang Shu-Chiung 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 22, 2017

4. Consolidated Financial Statement in the most recent fiscal year：please refer to this year's report page229 to 310
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 page311 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；%

Year / Description	As of December 31,2016	As of December 31,.2015	Difference	
			Amount	%
Current assets	12,178,315	9,930,954	2,247,361	22.63
Property, plant and equipment	1,388,586	1,419,554	(30,968)	(2.18)
Intangible assets	21,619	23,045	(1,426)	(6.19)
Other assets	494,262	552,673	(58,411)	(10.57)
Total assets	14,082,782	11,926,226	2,156,556	18.08
Current liabilities	8,845,356	7,300,177	1,545,179	21.17
Non-current liabilities	632,231	161,251	470,980	292.08
Total liabilities	9,477,587	7,461,428	2,016,159	27.02
Capital stock	1,650,698	1,650,698	-	-
Capital surplus	648,446	618,773	29,673	4.80
Retained earnings	2,335,452	2,164,227	171,225	7.91
Other equity interest	(26,985)	25,898	(52,883)	(204.20)
Equity attributable to shareholders of the parent	4,607,611	4,459,596	148,015	3.32
Non-controlling interests	(2,416)	5,202	(7,618)	(146.44)
Total equity	4,605,195	4,464,798	140,397	3.14

Analysis of ratio of change: (if the change is greater than 20% and the amount changed is NT$10,000,000)

(1) An increase in current assets: Mainly due to the research and development of customized equipment coupled with the system integration of engineering resulting in an increase in sales income. Part of the receivables occurred near the end of the year resulting in the increase in the receivables in 2016. In addition, the demand in sales growth led to the increase in the cost of construction in progress also led to the increase in current assets in 2016 compared to the previous year.

(2) An increase in current liabilities: Mainly due to the operational growth in 2016 so that the demand for short-term working capital was increased, which led to the increase in the short-term loan. Moreover, the demand for end-of-year procurement amount through contracts and related costs in sales had increased resulting in an increase in receivables in the end of 2016 so that current liabilities were increased in 2016 compared to the previous year.

(3) An increase in non-current liabilities: Mainly due to the issue of NT$500 million of onshore unsecured convertible corporate bond in 2016 in response to the increase in corporate bonds payable so that non-current liabilities were increased in 2016 compared to the previous year.

(4) A fall in other equities: Mainly due to the effect of currency depreciation of Renminbi versus U.S. dollars so that the exchange differences on translation of foreign financial statements were decreased in 2016 compared to the previous year.

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 ; %

Year / Description	As of December 31,2016	As of December 31,.2015	Difference	
			Amount	%
Current assets	8,040,543	6,113,781	1,926,762	31.52
Property, plant and equipment	1,120,544	1,126,399	(5,855)	(0.52)
Intangible assets	15,515	12,265	3,250	26.50
Other current assets	1,861,272	2,089,477	(228,205)	(10.92)
Total assets	11,037,874	9,341,922	1,695,952	18.15
Current liabilities	5,773,977	4,720,325	1,053,652	22.32
Non-current liabilities	656,286	162,001	494,285	305.11
Total liabilities	6,430,263	4,882,326	1,547,937	31.70
Capital stock	1,650,698	1,650,698	-	-
Capital surplus	648,446	618,773	29,673	4.80
Retained earnings	2,335,452	2,164,227	171,225	7.91
Other equity interest	(26,985)	25,898	(52,883)	(204.20)
Total equity	4,607,611	4,459,596	148,015	3.32

Analysis of ratio of change: (if the change is greater than 20% and the amount changed is NT$10,000,000)

(1) An increase in current assets: Mainly due to the research and development of customized equipment resulting in increased income. Part of the receivables occurred near the end of the year resulting in the increase in the receivables in 2016. In addition, the demand in sales growth led to the increase in the cost of construction in progress also led to the increase in current assets in 2016 compared to the previous year.

(2)An increase in current liabilities: Mainly due to the operational growth in 2016 and the demand for end-of-year procurement amount through contracts and related costs in sales had increased resulting in an increase in receivables in the end of 2016 so that current liabilities were increased in 2016 compared to the previous year.

(3)An increase in non-current liabilities: Mainly due to the issue of NT$500 million of onshore unsecured convertible corporate bond in 2016 in response to the increase in corporate bonds payable so that non-current liabilities were increased in 2016 compared to the previous year.

(4) A fall in other equities: Mainly due to the effect of currency depreciation of Renminbi versus U.S. dollars so that the exchange differences on translation of foreign financial statements were decreased in 2016 compared to the previous year.

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$)

Year Description	2016	2015	Amount increased (decreased)	Proportion change (%)
Net Operating Income	18,650,941	18,031,624	619,317	3.43
Operating Cost	16,403,284	16,017,022	386,262	2.41
Gross profit	2,247,657	2,014,602	233,055	11.57
Operating expenses	1,547,357	1,440,166	107,191	7.44
Operating income from operations	700,300	574,436	125,864	21.91
Non-operating income and expenses	(27,687)	11,953	(39,640)	(331.63)
Income before tax	672,613	586,389	86,224	14.70
Income Tax	161,350	126,404	34,946	27.65
Net Income of Continuing Operations	511,263	459,985	51,278	11.15
Income from discontinued operations	0	0	0	0
Net income	511,263	459,985	51,278	11.15
Other comprehensive income (income after tax)	(65,992)	(47,018)	(18,974)	(40.35)
Total comprehensive income	445,271	412,967	32,304	7.82
Net income attributable to shareholders of the parent	515,151	458,724	56,427	12.30
Net income attributable to noncontrolling interests	(3,888)	1,261	(5,149)	(408.33)
Total comprehensive income attributable to shareholders of the parent	449,009	411,859	37,150	9.02
Total comprehensive income attributable to the noncontrolling interests	(3,738)	1,108	(4,846)	(437.36)
EPS(NT$) Basic EPS for current period	3.12	2.78	0.34	12.23
Diluted EPS for current period	2.95	2.73	0.22	8.06

(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 An increase in operating income: Mainly due to the beneficial influence of the continual economic upturn of the semiconductor, optoelectronics, and other electronics industries in 2016 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 the increase of both the operating income and operating cost. Moreover, there was a greater increase in gross profit compared to the increase in operating cost resulting in the increase in operating income at the same time.

② An increase in the net loss from non-operating income and expenses: Mainly due to

Year Description	2016	2015	Amount increased (decreased)	Proportion change (%)
foreign exchange loss and the increase in financial cost in 2016 resulting in the net loss from non-operating income and expenses. ③ An increase in income tax: Mainly due to increased profit in 2016. ④ A decrease in other consolidated after tax net profit in the financial year: Mainly due to the effect of currency depreciation of Renminbi versus U.S. dollars so that the exchange differences on translation of foreign financial statements were decreased in a greater amount in 2016 compared to the previous year. (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 2017 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 complied under reasonableassumptions including the operating performance of 2016 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$)

Year Description		2016	2015	Amount increased (decreased)	Proportion change (%)
Net Operating Income		13,308,343	12,482,462	825,881	6.62
Operating Cost		11,559,334	10,996,701	562,633	5.12
Gross profit		1,749,009	1,485,761	263,248	17.72
Operating expenses		978,833	869,430	109,403	12.58
Operating income from operations		770,176	616,331	153,845	24.96
Non-operating income and expenses		(98,650)	(42,814)	(55,836)	(130.42)
Income before tax		671,526	573,517	98,009	17.09
Income Tax		156,375	114,793	41,582	36.22
Net Income of Continuing Operations		515,151	458,724	56,427	12.30
Income from discontinued operations		0	0	0	0
Net income		515,151	458,724	56,427	12.30
Other comprehensive income (income after tax)		(66,142)	(46,865)	(19,277)	(41.13)
Total comprehensive income for the year		449,009	411,859	37,150	9.02
EPS(NT$)	BasicEPS for current period	3.12	2.78	0.34	12.23
	Diluted EPS for current period	2.95	2.73	0.22	8.06

Description \ Year	2016	2015	Amount increased (decreased)	Proportion change (%)

(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 An increase in operating income: Mainly due to the beneficial influence of the continual economic upturn of the semiconductor, optoelectronics, and other electronics industries in 2016 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 the increase of both the operating income and operating cost. Moreover, there was a greater increase in gross profit compared to the increase in operating cost resulting in the increase in operating income at the same time.

② An increase in the net loss from non-operating income and expenses: Mainly due to foreign exchange loss and long term investment loss in 2016 resulting in the net loss from non-operating income and expenses.

③ An increase in income tax: Mainly due to increased profit in 2016.

④ A decrease in other consolidated after tax net profit in the financial year: Mainly due to the effect of currency depreciation of Renminbi versus U.S. dollars so that the exchange differences on translation of foreign financial statements were decreased in a greater amount in 2016 compared to the previous year.

(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.

2.2.2. 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 2017 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 2016 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, 2015)	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, 2016)
1,404,874	(239,668)	(75,192)	795,048	(132,818)	1,752,244

Analyses of changes in cash flows for the year (2016) are as follows:

① A net cash outflow of NT$239,668 thousands from operating activities, where the outflow is primarily due to the growth of business activities.

②Cash outflows from Investment Activities was NT$75,192,000, and this was mainly due to an increase in the investment of financial assets carried at cost, the procurement of real estate, factories and equipment, and the reduced capital of the invested company with the fund returned to the shareholders according to the equity method.

③Net cash inflow of from financing activities was NT$795,048,000, and this was mainly due to the cash inflow from both the bank loan and the issue of onshore unsecured convertible corporate bond was greater than cash outflow of the cash dividend payment resulting in an increase of net cash inflow.

Thus, the cash flow in 2016 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	2016	2015	Variance(%)
Cash Flow Ratio	(2.71)	(2.70)	0.37
Cash Flow Adequacy Ratio	5.28	14.85	(64.44)
Cash Reinvestment Ratio	(8.65)	(8.89)	(2.70)

Analyses of changes in the proportion of increase & decrease: (Explanation for analyses of the proportion of increase & decrease above 20% between two periods)

Decrease in Cash Flow Adequacy Ratio: Primarily due to the decrease of net cash inflow from operating activities over the last five years plus the increase of capital expenditure and Inventories. This is the reason that the cash flow adequacy ratio has decreased in 2016 comparing with 2015.

3.1.3. Liquidity analysis in the future one year

Unit : NT$ thousands

Cash and cash equivalents at beginning of period (December 31, 2016)①	Net cash flow from operating activities ②	Cash outflow③	Cash surplus (deficit) ①+②-③	Leverage of cash deficit	
				Invesment plans	Financing plans
1,752,244	440,576	(375,240)	1,817,580	Not applicable	

(1) Analyses of expected changes in cash flows for the year (2017) 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, 2015)	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, 2016)
670,818	117,479	(131,710)	224,930	881,517

Analyses of changes in cash flows for the year (2016) are as follows: ①Cash inflow from operating activities was NT$117,479,000, and this was mainly due to an increase from both operating profit and receivables resulting in an increase in cash inflow from operating activities. ②Net cash outflow from investment activities was NT$131,710,000 and this was mainly due to an increase in investment on real estates, factories, and equipment according to the equity method. ③Net cash inflow from financing activities was NT$224,930,000, and this was mainly due to a greater net cash inflow from the bank loan and the issue of onshore unsecured convertible corporate bond compared to the washout of the cash dividend payment resulting in an increase in net cash inflow. In summary, the annual cash flow for the entire 2016 is net cash inflow, which resulted in an increase of the cash at period end comparing with that at period beginning

3.2.2. Liquidity analysis in the latest year

Unit: %

Year / Item	2016	2015	Variance (%)
Cash Flow Ratio	2.03	4.82	(57.78)
Cash Flow Adequacy Ratio	45.60	50.51	(9.72)
Cash Reinvestment Ratio	(3.45)	(1.88)	83.51
Analyses of changes in the proportion of increase & decrease: (Explanation for analyses of the proportion of increase & decrease above 20% between two periods) (1) Decrease in Cash Flow Adequacy Ratio: Primarily due to the decrease of net cash inflow from operating activities over the last five years plus the increase of capital expenditure and Inventories. This is the reason that the cash flow adequacy ratio has decreased in 2016 comparing with 2015. (2)A fall in cash re-investment ratio: Mainly due to a decrease in net cash inflows from operating activities and an increase in the cost of real estates, factories, and working capital altogether resulted in the decrease in cash re-investment ratio in 2016 compared to the previous year.			

3.2.3. Liquidity analysis in the future one year

Unit : NT$ thousands

Cash and cash equivalents at beginning of period (December 31, 2016)①	Net cash flow from operating activities for the entire year②	Cash outflows for the entire year ③	Cash surplus (deficient) ①+②-③	Contingency plans for projected insufficient cash position	
				Invesment plans	Financial plans
881,517	389,440	(623,553)	647,404	Not applicable	
(1) Analyses of expected changes in cash flows for the year (2017) 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:

4.1Operation 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 : %

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							
Marketech Integrated Pte .Ltd. (shortened as MIPL)	Directly invested subsidiary of the Company	100%	(24,071)	(45,132)	Losses in 2016 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%	1,104,837	(121,514)	It is the holding company of abroad shift investment business. Investment losses in 2016 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%	42,383	16	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 in 2016 were mainly because the rental income is sufficient to	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
					cope with operation costs.		
Tiger United Finance Ltd. (shortened as Tiger)	Directly invested subsidiary of the Company	100%	40,897	(115)	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 2016 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%	10,910	4,918	The profit gained in 2016 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.	Continue to expand new sales in order to increase profit.	Take timely assessment according to the market requirements and industry development.
Marketech Engineering Pte. Ltd. (shortened as MEPL)	Directly invested subsidiary of the Company	100%	4,897	(2,308)	It is the holding company of abroad shift investment business. Investment gains in 2016 were mainly caused by gains of indirectly invested subsidiary in Myanmar.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Marketech Integrated Manufacturing Company Limited (shortened as MIMC)	Directly invested subsidiary of the Company	100%	98,860	1,498	Because the sales expansion is still ongoing, our profit in 2016 was mainly from foreign exchange gains.	Established for the increasing demand in Myanmar, MIMC mainly provides design, production and assembly services for equipments and components of automated	Take timely assessment according to the market requirements and industry

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
						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.	development.
MIC-Tech Viet Nam Co., Ltd. (shortened as MIC-Tech VN)	Directly invested subsidiary of the Company	100%	35,389	(3,076)	The loss occurred in 2016 was mainly due to the decrease in the engineering contract work so that the income could not cover the operating cost leading to a loss.	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	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
						company on us.	
Marketech Co.,Ltd. (帆宣責任)	Directly invested subsidiary of the Company	100%	9,778	(3,954)	Business of the company was still under development in 2016, hence losses status is shown.	Marketech Co.,Ltd. is mainly engaged in professional engineering contracting and related maintenance services. With 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.	Take timely assessment according to the market requirements and industry development.
PT Marketech International Indonesia (PTMII)	Directly invested subsidiary of the Company	99.92%	38,718	1,138	Because the sales expansion is still ongoing, our profit in 2016 was mainly from foreign 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	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
						increase profit to ensure the beneficial investment return of the parent company on us.	
eZoom Information, Inc. (shortened as “eZoom”)	Directly invested subsidiary of the Company	100%	23,525	(1,745)	Business of the company was still under development in 2016, hence losses status is shown.	EZoom is mainly engaged in software building tenders and self-developed software business with cloud application services. The 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.	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	35%	33,463	11,124	Main benefits in 2016 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%	1,864	(88)	Our company’s sales and industry expansion in 2016 was not up to expectation and the loss was as a result of a decrease in sales income and gross profit.	Huaxuan is mainly engaged in panel equipments and materials sales. The company will continue developing new business to increase benefits, including development and marketing of laminating machine. The company will	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
						enter into touch panel area, and seek sales and OEM opportunities of touch panel materials and products. It will improve operation performance.	
Marketech International Sdn. Bhd. (shortened as MISB) (Note 3)	Invested company of the Company adopting equity method	51.12%	26,198	(30,348)	Business of the company was still under development in 2016, hence losses status is shown.	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 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.	Take timely assessment according to the market requirements and industry development.
Indirect investment							
MIC-Tech Ventures Asia Pacific Inc. (shortened as MIC-Tech Ventures)	Shift invested subsidiary of SubsidiaryMarket Go	100%	1,102,791	(121,456)	It is the holding company of abroad shift investment business. Investment losses in 2016 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.	Shift invested subsidiary of Subsidiary MIPL	48.88%	26,191	(30,348)	Business of the company was still under development in 2016,	MISB is mainly engaged in automation supply systems	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 MISB) (Note 3)					hence losses status is shown.	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.	according to the market requirements and industry development.
Marketech Integrated Construction Co., Ltd. (shortened as MICC)	Shift invested subsidiary of Subsidiary MEPL	95%	4,169	(2,278)	The loss occurred in 2016 was mainly due to the decrease in the engineering contract work so that the income could not cover the operating cost leading to a loss.	MICCis mainly engaged in mechanical and electrical 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.	Take timely assessment 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%	22,027	(115,300)	In 2016, it showed losses. On the moment of operation transformation and products development, the income was difficult to be increased. Since	MTW is mainly engaged in OEM assembly of customized equipments and parts. Cooperating with overall tender growth tendency in	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 personnel costs in mainland area were increased and conservatively estimated bad debt losses and inventory impairment losses had influences, the benefits were not shown. But the manufacture orders and profit rate all had gradual growth. Along with the production capacity and utilization rate of plants are increase gradually, Wuxi Qihua has reduced adverse effects of high depreciation and amortization of plants and equipments to gross profits of products. Gross profits of products have been increase and years of losses conditions will be improved. Following the gradual increase of the capacity utilization of its plants, MIC-Tech (Wu Xi) has already reduced the expensive depreciation amortization of its production equipments to products' gross profit effectively. The gross profits of its products have been gradually increased and it is expected to make improvements on the Company's deficits over the years.	mainland, currently, main businesses expanded by the company actively include automation equipments manufacturing in food industry, tire calibration equipments, desalination equipment, and satellite, network, solar energy and wind power related equipments. It is estimated growth and benefits will be obtained in future.	industry development.
MIC-Tech (Shanghai) Corp. Ltd.	Shift invested subsidiary of Subsidiary MIC-Tech	100%	322,444	1,619	The profit of 2016 was primarily generated from the income and	SMTS is mainly engaged in semi-conductor production,	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 MTS)	Ventures				profit of selling semiconductor equipments and materials.	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.	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%	(835)	(467)	In 2016, it was in losses status. It is mainly caused by limitation of received orders. Business scale is still under development. So business income and profits are not shown.	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.
MIC-Tech Electroics Engineering Corp.. (shortened as MTE)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	568,700	1,985	The profit gained in 2016 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.	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	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
						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.	
MIC-Tech China Trading (Shanghai) Co., Ltd.. (shortened as MCT)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	39,409	(9,356)	Our company's sales and industry expansion in 2016 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.
SK MIC (WuXi) Corp. (shortened as SKMIC)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	49%	2,606	(7,948)	Our company's sales and industry expansion in 2016 was not up to expectation and the loss was as a result of a decrease in sales income and gross profit.	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	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
						therefore expected that the growth of semiconductor industry will help to increase the Company's profit.	
Russky H.K. Limited (shortened as Russky)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	(20,776)	1,121	It is the holding company of abroad shift investment business. Investment losses in 2016 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 Russky	80%	(21,391)	1,624	The profit gained in 2016 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 westward expansion of hi-industry in Taiwan, related factory facility services demand will be increased. It will increase benefits.	Take timely assessment according to the market requirements and industry development.
Chen Gao M&E Engineering (Shanghai) Co., Ltd. (shortened as CMES)	Shift invested subsidiary of Subsidiary Russky	100%	(2,538)	(125)	Business scope of the company includes microelectronics engineering design and display devices engineering, design. In 2016, main losses cases were that the business expansion was	CMES is mainly engaged in project engineering design of electronics products and project engineering design, related technology, management, consulting and	Take timely assessment according to the market requirements and industry

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
					not as expected. Currently, the business is still in adjustment stage.	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.	development.
Leader Fortune Enterprise Co., Ltd. (shortened as Leader)	Invested company of SubsidiaryMIC-Tech Ventures adopting equity method	31.43%	2,351	(5,687)	It is the holding company of abroad shift investment business. Investment losses in 2016 were mainly caused by losses of indirectly invested subsidiary in mainland.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Macrotec Technology (Shanghai) Co., Ltd. (shortened as JM)	Invested company of SubsidiaryLeaderadopting equity method	31.43%	2,331	(5,663)	Since the business was still under development, the business income and benefits are not shown.	JMis 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) (Note 4)	Invested company of SubsidiaryMIC-Tech Ventures adopting equity method	100%	6,114	(2,084)	It is the holding company of abroad shift investment business. Investment losses in 2016 were mainly caused by the deficit of	Not applicable.	Take timely assessment according to the market

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
					indirectly invested subsidiary in mainland..		requirements and industry development.
Frontken-MIC (WuXi) Co., Ltd. (shortened as Forken-MIC) (Note 4)	Invested company of SubsidiaryFrontken MICadopting equity method	100%	6,063	(2,036)	Business scope of the company is mainly in equipment cleaning. Main causes of losses in 2016 were business expansion was not as expected. Currently, the business is still in adjustment stage.	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 SubsidiaryMIC-Tech Ventures adopting equity method	100%	(474)	(14,747)	It is the holding company of abroad shift investment business. Investment losses in 2016 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.
Nantong Jianrui Optoelectronics Technology Co., Ltd. (shortened as IMS)	Invested company of SubsidiaryRuixuan adopting equity method	100%	(1,279)	(14,747)	Main causes of losses in 2016 were mainly due to the failure of reaching sales target, which has resulted in a decrease of income and gross profit.	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%	32	1,138	Because the sales expansion is still ongoing, our profit in 2016 was mainly from foreign exchange gains.	PTMII mainly focuses on international trade on machinery and components. In the future, we also plan to	Take timely assessment according to the market requirements and industry

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
						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.	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, 2016.
Note 2: It is the investment boo amount by the end of December 31, 2016.
Note 3: Our company increases investment in buying MISB shares in February 2016, and holds 51.12% of MISB shares up till December 31, 2016, whereas MIPL's holding of MISB shares had decreased to 48.88%.

6.Analysis of Risk Mangement

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
Wafer-Level Sapphire Substrate Testing Equipment	Production of LED Wafer	Precision Measurement	Measuring probe and mechanical 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
Wafer-Level Sapphire Substrate Testing Equipment	99.5%	NT$0	2017	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: None.

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.

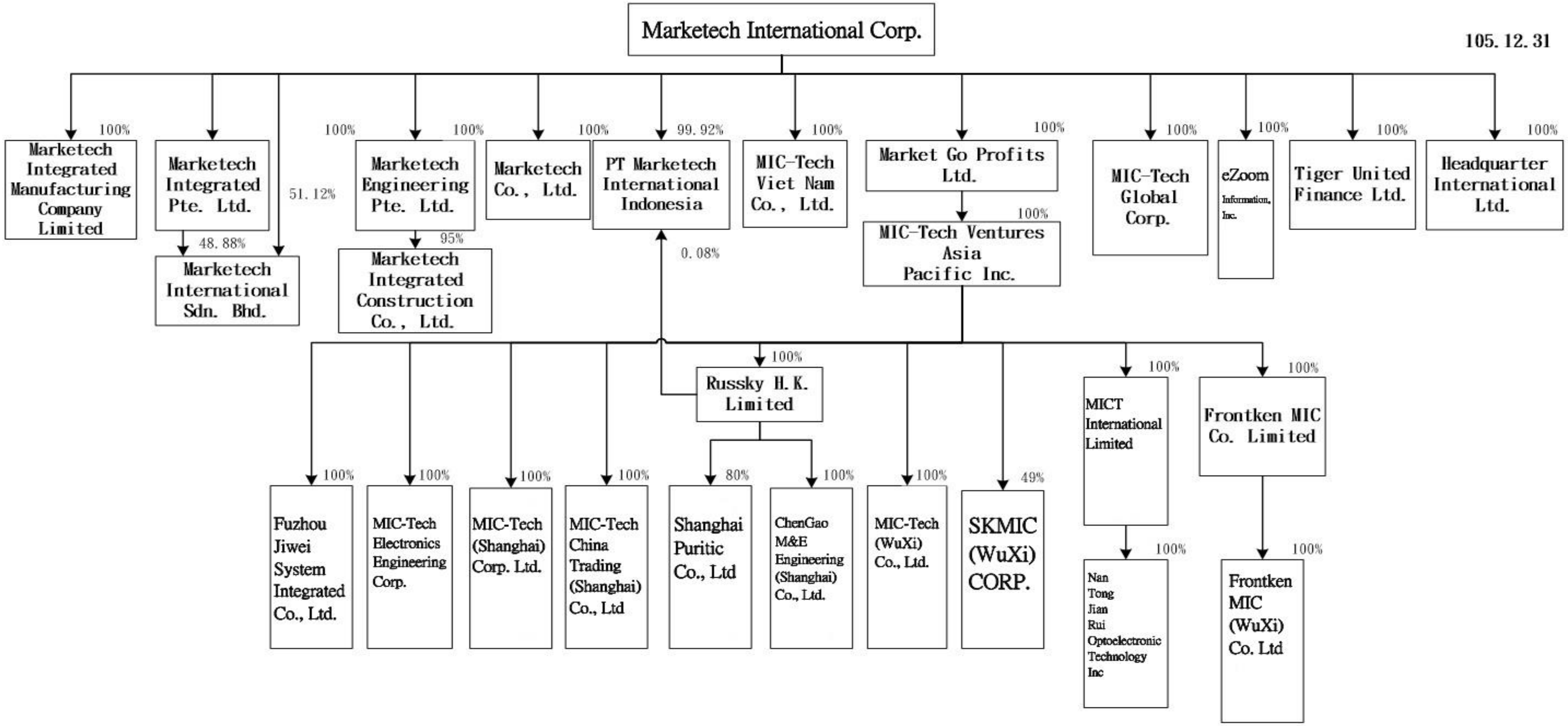
Part 8. Special Disclosures

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 6,725,040	149,901	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 37,169,104	1,198,704	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	41,582	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	45,484	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	17,767	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	41,925	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	32,250	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 37,066,604	1,195,398	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	84,536	Handles the business of automated supply system in the semiconductor industry
Russky H.K. Limited	Dec .17, 1992	Rm 1401, The Centre Mark, 287-299 Queen's Road Central, Hong Kong	HKD 6,514,000	27,085	Engaged in holdings and reinvestment
Marketech Engineering Pte. Ltd.	Nov. 28, 2013	86 Kaki Bukit Industrial Terrace Singapore 416166	SGD 421,087	9,386	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	9,675	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 3,600,000	116,100	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	38,700	Trading machinery and equipment

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production
			Original currency	NTD (in thousands)	
Shanghai Puritic Co., Ltd	Apr. 21, 1998	1F, Building A, No. 1281, Jin Hu Road, Pudong, Shanghai	USD 400,000	12,900	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	6,450	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	265,772	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, entrepot trade, bonded area trade and agency, business advisory services.
Fuzhou Jiwei System Integratedy Co., Ltd.	Feb. 27, 2003	Room 510, No. 120, Cangshan Science and Technology Park, Fuzhou, Fujian Province	USD 300,000	9,675	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	568,213	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	USD25,500,000	822,375	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	USD305,000	9,836	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 equipments, semiconductors, examination equipments and supplies, solar energy equipments supplies, furnace for power generation; international trade, entrepot

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production
			Original currency	NTD (in thousands)	
					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	48,375	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.
TPP-MIC-Co., Limited	Apr. 15, 2008	Room 1006, 10/F ., 299QRC, 287-299 Queen's Road Central, Hong Kong	USD 250,000	10,395	Engaged in holdings and reinvestment
MICT International Limited	Dec. 14, 2007	1004., AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.	USD 3,000,000	96,750	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 3,000,000	96,750	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	HKD 18,137,025	75,563	Engaged in holdings and reinvestment
Frontken MIC (WuXi) Co. Ltd	Oct. 31, 2008	No. 11, Xinxi Road, Wuxi National High-Technology Industrial Development Zone, Jiansu	USD 2,308,000	74,433	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 62,000,000	62,000	Research and development, buying and selling and consultation of information system software and hardware

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 commonand 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 (Note 1)	Name or representative	Shareholding (Note 2 and 3): Number of shares or capital contributions	Shareholding (Note 2 and 3): Shareholding ratios
Marketech Integrated Pte. Ltd.	Chairman Director Director	Corporate representatives Kao Hsin-Ming Scott Lin Seetoh Oi Ying	SGD6,725,040	100%
Market Go Profits Ltd.	Director Director	Corporate representatives Kao Hsin-Ming Scott Lin	USD37,169,104.2	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	USD3,600,000	100%
MIC-Tech Ventures Asia Pacific Inc.	Director Director	Subsidiary- Market Go Profits Ltd. Corporate representatives Kao Hsin-Ming Scott Lin	USD37,066,604	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 (Note 1)	Name or representative	Shareholding (Note 2 and 3)	
			Number of shares or capital contributions	Shareholding ratios
Marketech International Sdn.Bhd.	Director Director Director Director Director	Corporate representatives Kao Hsin-Ming Scott Lin Subsidiary- Marketech Integrated Pte Ltd. Corporate representative Ma Kuo-peng Individual representative Mohd Salleh Bin Mohamad Siti Zaleha Binti Mohd Salim	MYR12,242,750	100%
Russky H.K. Limited	Director Director	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Kao Hsin-Ming Scott Lin	USD633,000	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 Marketech International Indonesia	Director supervisorma	Corporate representatives Kao Hsin-Ming Scott Lin	USD 1,200,000	100%
Shanghai Puritic Co., Ltd	Chairman Director Director Director supervisorma nager Director Director	Subsidiary- Russky 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	USD603,000	80%
Chen Gao M&E Engineering (Shanghai) Co., Ltd.	Chairman Director Director Supervisor General manager	Subsidiary- Russky H.K. Limited corporate representatives Li Yi-Jung Ma Kuo-peng Scott Lin Li De-Qing Li De-Qing	USD200,000	100%
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%

Company Name	Title (Note 1)	Name or representative	Shareholding (Note 2 and 3)	
			Number of shares or capital contributions	Shareholding ratios
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 Electyonics 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 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%
MICT International Limited	Director Director	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Kao Hsin-Ming Scott Lin	USD1,896,716	100%

Company Name	Title (Note 1)	Name or representative	Shareholding (Note 2 and 3)	
			Number of shares or capital contributions	Sharehol ding ratios
Nan Tong Jian Rui Optoelectronic Technology Inc	 Chairman Director Director Supervisor President	Subsidiary MICT International Limited Co1`rporate representatives Hou Fu-Jia Kao Hsin-Ming Wang,Chien-Yuan Scott Lin Lu Hsueh-Heng	USD1,896,716	100%
Frontken MIC(WuXi) Co. Limited	 Chairman Director Director Director Director Superviso	Subsidiary Frontken MIC Co. Limited Corporative representative Tay Kiang Meng Kao Hsin-Ming Scott Lin Hee Kok Hiong Ng Wai Pin Lee Boon Tian	USD1,013,200	100%
eZoom Information, Inc.	 Director Director Director Supervisor	Corporate representatives Kao Hsin-Ming Scott Lin Chuang Yan-Shan Ma Kuo-peng	6,200,000 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.	149,901	108,633	132,704	(24,071)	126,193	(29,163)	(45,132)	-
Market Go Profits Ltd.	1,198,704	1,104,837	-	1,104,837	-	(67)	(121,514)	-
Headquarter International Ltd.	41,582	42,788	405	42,383	2,857	462	16	-
Tiger United Finance Ltd.	45,484	41,410	513	40,897	2,819	317	(115)	-
MIC-Tech Global Corp.	17,767	28,570	14,760	13,810	136,049	4,157	4,918	-
MIC-Tech Viet Nam Co., Ltd.	41,925	43,727	8,338	35,389	11,826	(3,172)	(3,076)	-
Marketech Co., Ltd.	32,250	10,952	1,174	9,778	2,492	(4,252)	(3,954)	-
Marketech Engineering Ptd. Ltd.	9,386	4,993	96	4,897	-	(144)	(2,308)	-
MIC-Tech Ventures Asia Pacific Inc.	1,195,398	1,145,899	43,108	1,102,791	314,289	20,271	(121,456)	-
Marketech International Sdn.Bhd.	84,536	119,615	68,366	51,249	226,083	(20,552)	(30,348)	-
Marketech Integrated Construction Co., Ltd.	9,675	9,356	4,968	4,388	3,573	(2,287)	(2,278)	-
Marketech Integrated Manufacturing Company Limited	116,100	98,861	1	98,860	-	(2,853)	1,498	-
Russky H.K. Limited	20,414	3,153	23,929	(20,776)	-	(56)	1,121	-
Frontken MIC Co. Limited	75,388	6,114	-	6,114	-	(49)	(2,084)	-
PT Marketech International Indonesia	38,700	38,782	32	38,750	-	-	1,138	-
Shanghai Puritic Co., Ltd	12,900	116,824	143,563	(26,739)	188,346	7,535	1,624	-
ChenGao M&E Engineering (Shanghai) Co., Ltd.	6,450	324	2,862	(2,538)	-	(24)	(125)	-
MIC-Tech (Shanghai) Corp. Ltd.	265,772	1,186,586	864,142	322,444	1,809,364	29,120	1,619	-
Fuzhou Jiwei System Integrated Co., Ltd.	9,675	129	964	(835)	470	(458)	(467)	-
MIC-Tech Electronics Engineering Corp.	568,213	1,889,919	1,321,219	568,700	2,236,208	52,799	1,985	-
MIC-Tech(WuXi) Co., Ltd.	822,375	659,815	633,597	26,218	316,293	(83,524)	(115,300)	-
SKMIC (WuXi) CORP.	9,836	5,679	360	5,319	15,346	(7,317)	(7,948)	-
MIC-Tech China Trading (Shanghai)Co., Ltd	48,375	143,210	103,801	39,409	139,812	(6,276)	(9,356)	-
MICT International Limited	96,750	-	1,279	(1,279)	-	-	(14,747)	-
Nan Tong Jian Rui Optoelectronic Technology Inc	96,750	34,709	35,988	(1,279)	6,098	(13,602)	(14,747)	-
Frontken MIC (WuXi) Co. Ltd	74,433	6,063	-	6,063	-	(2,425)	(2,036)	-
eZoom Information, Inc.	62,000	47,004	24,463	22,541	84,984	(3,405)	(1,745)	(1.87)

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, 2016.

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.

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: None.

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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.

Marketech International Corp.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2016, 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,
Marketech International Corp.
Margaret Kao
February 20, 2017

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016. 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 audit scope as follows:

A. Obtained an understanding of the managements' control system when the contract has been created or significant change in estimate 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 test the basis of estimation and subcontracting amount, and ensure it has been approved appropriately by the management.

D. Checked the rationality of significant changes in estimation of construction cost, and sample test whether the revised plan has been approved by the management.

E. Obtained the billing details, and select 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(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, 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 is one of the key audit matters.

How our audit addressed the matter

We tailored the audit scope as follows:

A. Assessed the reasonableness of the allowance for inventory valuation losses based on our understanding of the Group’s operating conditions and industry. This includes the classification of the net realizable value of inventories, the evidence which showed the inventories were subsequently scrapped or sold, and the judgement on slow-moving inventories are reasonable.

B. Obtained an understanding of the Group’s inventory control procedures. Reviewed annual inventory counting plan and participated in the annual inventory counting event.

C. Verified the appropriateness of the stock aging analysis, and ensured it is consistent with the Group’s policy.

D. Inspect the sales contracts and discussed with the management to evaluate the reasonableness of the future demand for inventories. In order to assess the reasonableness of allowance for inventory valuation losses, we sampled inventories to verify the digestion of inventories and historical data of inventory discount.

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 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 collectively assessment. If the accounts receivable over a certain age is significant, the management will re-examine the collectibility, 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 judgment 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 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 has not yet been collected at the year end, and re-evaluated the appropriateness.

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, 2016 and 2015.

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 judgment and maintain professional skepticism throughout the audit. We also:

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 othermatters, 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.

Lin, Chun-Yao | Chang, Shu-Chiung

Lin, Chun-Yao

Chang, Shu-Chiung

for and on behalf of PricewaterhouseCoopers, Taiwan

February 20, 2017

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, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,752,244	12	$ 1,404,874	12
1110	Financial assets at fair value through profit or loss - current	6(2)	7,297	-	5,719	-
1125	Available-for-sale financial assets - current	6(3)(9)	63,853	-	-	-
1150	Notes receivable, net	6(4)	213,014	2	106,392	1
1170	Accounts receivable, net	6(5)(8)	4,019,113	29	3,072,747	26
1180	Accounts receivable - related parties, net	7	417	-	23,341	-
1190	Construction contracts receivable	6(8) and 7	2,868,149	20	2,485,012	21
1200	Other receivables		16,083	-	20,910	-
130X	Inventories, net	6(6)	2,621,278	19	2,248,268	19
1410	Prepayments	6(7)	456,297	3	398,626	3
1470	Other current assets	8	160,570	1	165,065	1
11XX	**Total current assets**		12,178,315	86	9,930,954	83
	Non-current assets					
1543	Financial assets at cost - non-current	6(3)(9)	256,628	2	287,714	2
1550	Investments accounted for using equity method	6(10)	37,679	-	76,004	1
1600	Property, plant and equipment, net	6(11), 7 and 8	1,388,586	10	1,419,554	12
1780	Intangible assets	7	21,619	-	23,045	-
1840	Deferred tax assets	6(26)	113,923	1	108,037	1
1900	Other non-current assets	6(11)	86,032	1	80,918	1
15XX	**Total non-current assets**		1,904,467	14	1,995,272	17
1XXX	**Total Assets**		$ 14,082,782	100	$ 11,926,226	100

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(12) and 8	$ 1,913,374	14	$ 1,370,748	11
2150	Notes payable		858,675	6	806,991	7
2170	Accounts payable		3,447,773	25	2,740,764	23
2180	Accounts payable - related parties	7	13,565	-	20,610	-
2190	Construction contracts payable	6(8)	1,325,311	9	1,236,940	10
2200	Other payables	6(13)	455,018	3	421,292	4
2230	Current tax liabilities		93,751	1	81,271	1
2310	Advance receipts	6(14)	724,461	5	598,114	5
2399	Other current liabilities, others		13,428	-	23,447	-
21XX	**Total current liabilities**		8,845,356	63	7,300,177	61
	Non-current liabilities					
2530	Bonds payable	6(15)	477,153	3	-	-
2570	Deferred tax liabilities	6(26)	10,350	-	30,644	1
2640	Accrued pension liabilities	6(17)	144,643	1	130,590	1
2670	Other non-current liabilities, others		85	-	17	-
25XX	**Total non-current liabilities**		632,231	4	161,251	2
2XXX	**Total Liabilities**		9,477,587	67	7,461,428	63
	Equity					
	Share capital	6(19)				
3110	Ordinary shares		1,650,698	12	1,650,698	14
	Capital surplus	6(20)				
3200	Capital surplus		648,446	4	618,773	5
	Retained earnings	6(21)				
3310	Legal reserve		575,258	4	529,385	4
3320	Special reserve		92,239	1	92,239	1
3350	Unappropriated retained earnings		1,667,955	12	1,542,603	13
	Other equity interest					
3400	Other equity interest		(26,985)	-	25,898	-
31XX	**Total equity attributable to owners of parent**		4,607,611	33	4,459,596	37
36XX	**Non-controlling interests**		(2,416)	-	5,202	-
3XXX	**Total Equity**		4,605,195	33	4,464,798	37
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total Liabilities and Equity**		$ 14,082,782	100	$ 11,926,226	100

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)

	Items	Notes	Year ended December 31 2016 AMOUNT	%	2015 AMOUNT	%
4000	**Operating Revenue**	6(22) and 7	$ 18,650,941	100	$ 18,031,624	100
5000	**Operating Costs**	6(6)(25) and 7	(16,403,284)	(88)	(16,017,022)	(89)
5900	**Gross Profit**		2,247,657	12	2,014,602	11
	Operating Expenses	6(25)				
6100	Sales and marketing expenses		(525,098)	(3)	(491,181)	(3)
6200	General and administrative expenses		(812,556)	(4)	(775,491)	(4)
6300	Research and development expenses		(209,703)	(1)	(173,494)	(1)
6000	**Total operating expenses**		(1,547,357)	(8)	(1,440,166)	(8)
6900	**Operating Profit**		700,300	4	574,436	3
	Non-operating Income and Expenses					
7010	Other income	6(23)	81,362	-	57,730	-
7020	Other gains and losses	6(2)(24)	(54,865)	-	(4,682)	-
7050	Finance costs		(56,596)	-	(38,717)	-
7060	Share of gain (loss) of associates and joint ventures accounted for using equity method		2,412	-	(2,378)	-
7000	**Total non-operating income and expenses**		(27,687)	-	11,953	-
7900	**Profit before Income Tax**		672,613	4	586,389	3
7950	Income tax expense	6(26)	(161,350)	(1)	(126,404)	(1)
8200	**Net Income**		$ 511,263	3	$ 459,985	2

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	Year ended December 31			
			2016		2015	
			AMOUNT	%	AMOUNT	%
	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(17)	($ 15,975)	-	($ 17,831)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)	2,716	-	3,031	-
8310	**Total components of other comprehensive loss that will not be reclassified to profit or loss**		(13,259)	-	(14,800)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations		(98,892)	(1)	(38,808)	-
8362	Unrealized gain on valuation of available-for-sale financial assets of foreign operations	6(3)	29,408	-	-	-
8370	Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method		(104)	-	16	-
8399	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(26)	16,855	-	6,574	-
8360	**Total components of other comprehensive income that will be reclassified to profit or loss**		(52,733)	(1)	(32,218)	-
8300	**Other comprehensive loss, net of tax**		($ 65,992)	(1)	($ 47,018)	-
8500	**Total Comprehensive Income**		$ 445,271	2	$ 412,967	2
	Profit (loss) attributable to:					
8610	Owners of the parent		$ 515,151	3	$ 458,724	2
8620	Non-controlling interests		($ 3,888)	-	$ 1,261	-
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		$ 449,009	2	$ 411,859	2
8720	Non-controlling interests		($ 3,738)	-	$ 1,108	-
	Basic earnings per share	6(27)				
9750	**Basic earnings per share**		$	3.12	$	2.78
	Diluted earnings per share	6(27)				
9850	**Diluted earnings per share**		$	2.95	$	2.73

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)

		Equity attributable to owners of the parent										
			Capital Reserves		Retained Earnings			Other equity interest				
	Notes	Share capital - ordinary shares	Capital surplus - share premium	Capital surplus - others	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interests	Total equity
Year 2015												
Balance at January 1, 2015		$ 1,650,698	$ 616,003	$ 351	$ 490,931	$92,239	$ 1,467,273	$ 57,963	$ -	$ 4,375,458	$ 4,094	$ 4,379,552
Appropriations and distribution of earnings for 2014	6(21)											
Legal reserve		-	-	-	38,454	-	(38,454)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(330,140)	-	-	(330,140)	-	(330,140)
Share-based payment	6(18)(20)	-	-	2,419	-	-	-	-	-	2,419	-	2,419
Profit for 2015		-	-	-	-	-	458,724	-	-	458,724	1,261	459,985
Other comprehensive loss for 2015		-	-	-	-	-	(14,800)	(32,065)	-	(46,865)	(153)	(47,018)
Balance at December 31, 2015		$ 1,650,698	$ 616,003	$ 2,770	$ 529,385	$92,239	$ 1,542,603	$ 25,898	$ -	$ 4,459,596	$ 5,202	$ 4,464,798
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		$ 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

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 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 672,613	$ 586,389
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets at fair value through profit or loss	6(2)(24)	(1,328)	(863)
Provision for bad debt expense	12	74,825	82,201
Share of (gain) loss of associates and joint ventures accounted for using equity method		(2,412)	2,378
(Gain) loss on disposal of investments	6(24)	(7,894)	123
Depreciation	6(11)(25)	102,789	105,978
Amortisation	6(25)	19,333	21,084
Loss on disposal of property, plant and equipment		1,264	360
Impairment loss on financial assets	6(24)	-	14,829
Compensation cost of share-based payments	6(18)(20)	8,537	2,419
Interest income		(4,109)	(5,006)
Interest expense		56,596	38,717
Dividend income		(14,624)	(9,169)
Gain recognised in bargain purchase	6(29)	-	(2,419)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss – current		-	6,841
Notes receivable, net		(106,623)	(69,943)
Accounts receivable, net		(1,110,410)	(80,644)
Accounts receivable – related parties, net		23,386	(14,265)
Construction contracts receivable		(383,138)	(130,398)
Other receivables		(10,437)	6,810
Inventories		(422,209)	(404,299)
Prepayments		(57,671)	178,075
Other current assets		4,697	(30,694)
Changes in operating liabilities			
Notes payable		51,684	(657)
Accounts payable		794,603	(602,962)
Accounts payable – related parties		(7,045)	(3,226)
Construction contracts payable		88,371	218,436
Other payables		62,888	26,200
Advance receipts		126,347	8,831
Other current liabilities, others		(10,019)	9,370
Other non-current liabilities		(1,922)	(2,358)
Cash outflow generated from operations		(51,908)	(47,862)
Interest received		3,327	5,079
Dividends received		14,624	12,849
Interest paid		(52,771)	(35,939)
Income tax paid		(152,940)	(131,545)
Net cash flows used in operating activities		(239,668)	(197,418)

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets – current		$ 1,889	$ -
Decrease in other financial assets – current		410	72,329
Acquisition of financial assets measured at cost – non-current		(20,131)	(23,157)
Proceeds from disposal of financial assets measured at cost – non-current		13,449	271
Proceeds from capital reduction of financial assets measured at cost – non-current		9,185	12,689
Acquisition of investments accounted for using equity method		(1,408)	(42,000)
Proceeds from disposal of investments accounted for using equity method		307	-
Proceeds from capital reduction of investments accounted for using equity methodity method		41,182	-
Net cash flow from acquisition of subsidiaries		-	(5,177)
Acquisition of property, plant and equipment	6(11)	(95,635)	(34,082)
Proceeds from disposal of property, plant and equipment	6(11)	2,577	801
Acquisition of intangible assets		(18,307)	(9,843)
Increase in refundable deposits		(9,798)	(7,565)
Decrease (increase) in other non-current assets		1,088	(40,527)
Net cash flows used in investing activities		(75,192)	(76,261)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		634,001	435,810
Repayment of long-term borrowings		-	(4,415)
Increase in guarantee deposits received		67	17
Proceeds from issuance of bonds	6(15)	495,000	-
Cash dividends paid	6(21)	(330,140)	(330,140)
Changes in non-controlling interests		(3,880)	-
Net cash flows from financing activities		795,048	101,272
Effect of exchange rate changes on cash and cash equivalents		(132,818)	(50,890)
Net increase (decrease) in cash and cash equivalents		347,370	(223,297)
Cash and cash equivalents at beginning of year	6(1)	1,404,874	1,628,171
Cash and cash equivalents at end of year	6(1)	$ 1,752,244	$ 1,404,874

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, 2016 AND 2015
(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 AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

The consolidated financial statements were reported to the Board of Directors on February 20, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

New standards, interpretations and amendments included in the IFRSs endorsed by the FSC effective from 2017:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

(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 effective from 2017:

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
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
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
IFRS 16, 'Leases'	January 1, 2019
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board (Note)
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.

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and operating result based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, ‘Financial instruments’

(a) 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 (‘ECL’) or lifetime ECL (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).

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.

C. 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.

D. Amendments to IAS 7, ‘Disclosure initiative’

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

E. IFRIC 22, ‘Foreign currency transactions and advance consideration’

The Interpretation states that the date of the transaction for a foreign currency-denominated contract should be the date of initial recognition of the non-monetary asset or non-monetary liability arising from the receipt or payment of the advance consideration.

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:

			Percentage of Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2016	December 31, 2015	Note
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. (Hoa Phong Marketech Co., Ltd.)	Specialized contracting and related repair services	100	100	Note 2

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2016	Percentage of Ownership (%) December 31, 2015	Note
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	34	Note 6
Marketech International Corp.	PT Marketech International Indonesia	Trading business of machine equipment and parts	99.92	-	-
Market Go Profits Ltd.	MIC-Tech Ventures Asia Pacific Inc.	Investment holding and reinvestment	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	Russky H.K. Limited	Investment holding and reinvestment	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	TPP-MIC Co., Limited	Investment holding and reinvestment	-	60	Note 7
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Investment holding and reinvestment	100	100	Note 3
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co., Limited	Investment holdings and reinvestment	100	100	Note 5

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2016	Percentage of Ownership (%) December 31, 2015	Note
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	100	100	-
MIC-Tech Ventures Asia Pacific Inc.	MIC-Tech (Shanghai) Corp. Ltd.	Wholesale, commission agency, 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	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2016	Percentage of Ownership (%) December 31, 2015	Note
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	-
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 1

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2016	Percentage of Ownership (%) December 31, 2015	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	100	100	-
Russky H.K. Limited	Shanghai Puritic 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	80	80	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2016	Percentage of Ownership (%) December 31, 2015	Note
Russky 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	-
Russky H.K. Limited	PT Marketech International Indonesia	Trading business of machine equipment and parts	0.08	-	-
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	100	100	Note 5
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	Note 3

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2016	December 31, 2015	Note
TPP-MIC Co., Limited	TPP-MIC (WuXi) Co., Ltd.	Technology and repair service of semiconductor equipment; self-operation and agency of import and export of various goods and technology	-	-	Note 4 Note 7
Marketech Integrated Pte. Ltd.	Marketech International Sdn. Bhd.	Specialized contracting and related repair services	48.88	66	Note 6
Marketech Engineering Pte. Ltd.	Marketech Integrated Construction Co., Ltd.	Specialized contracting for electrical installing construction	95	95	-

Note 1: 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.

Note 2: In January 2016, the Company's subsidiary, Hoa Phong Marketech Co., Ltd. has been renamed as Marketech Co., Ltd.

Note 3: The Group originally held 50% of share ownership of MICT International Limited (MICT) and obtained the remaining 50% of share ownership on March 3, 2015. As the Group holds all voting rights in MICT International Limited and its subsidiary (Integrated Manufacturing & Services Co., Ltd.), it and its subsidiary (Integrated Manufacturing & Services Co., Ltd.) have been included in the consolidated financial reports since March 2015.

Note 4: TPP-MIC (WuXi) Co., Ltd. has completed the liquidation process in November 2015.

Note 5: The Group originally held 40% of share ownership of Frontken MIC Co. Limited (Frontken MIC) and obtained the remaining 60% of share ownership on September 30, 2015. As the Group holds all voting rights in Frontken MIC Co. Limited and its subsidiary (Frontken MIC (Wuxi) Co., Ltd.), it and its subsidiary (Frontken-MIC (Wuxi) Co., Ltd.) have been included in the consolidated financial statements since September 2015.

Note 6: The Company's subsidiary, Marketech Integrated Pte. Ltd. (MIPL) originally held 100% of share ownership of Marketech International Sdn. Bhd. (MISB). The Company acquired shares for MISB's capital increase in October 2015 and thus, the Company held 34% of shares in MISB, while MIPL's share ownership of MISB was reduced to 66% as of December 31, 2015. Furthermore, the Company acquired shares for MISB's capital increase in February 2016 and thus, the shares in MISB which the Company holds is up to 51.12%, while MIPL's share ownership of MISB is reduced to 48.88% as of December 31, 2016.

Note 7: TPP-MIC Co., Limited has completed the liquidation process in December 2016.

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, 2016 and 2015, the non-controlling interests amounted to ($2,416) and $5,202, 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 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) 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) <u>Classification of current and non-current items</u>

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 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 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.

(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 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'.

(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 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.

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

(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 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 'receivables from customers on construction contracts'. 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'.

(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 recognised 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 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 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	4 ~ 15 years
Machinery and equipment	3 ~ 15 years
Other equipment	2 ~8 years

(16) 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.

(17) 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.

(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 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 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 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.

(19) 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.

(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 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.

(21) 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.

(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 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/ 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 recognised 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 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.

(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 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 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 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.

(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 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.

(26) 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 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 recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

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

(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 areapproved 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

	December 31, 2016	December 31, 2015
Cash on hand	$ 13,176	$ 18,237
Checking accounts and demand deposits	1,732,245	1,370,532
Time deposits	6,823	16,105
Total	$ 1,752,244	$ 1,404,874

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

	December 31, 2016	December 31, 2015
Financial assets held for trading		
Listed stocks	$ 7,592	$ 7,592
Call provision of convertible corporate bonds (Note 6(15))	250	-
	7,842	7,592
Valuation adjustment	(545)	(1,873)
Total	$ 7,297	$ 5,719

A. The Group recognised net gain of $1,528 and $863 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The Group recognised net gain (loss) of ($200) and $0 on the call provision of convertible corporate bonds issued by the Company for the years ended December 31, 2016 and 2015, 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

	December 31, 2016	December 31, 2015
Listed stocks		
Calitech Co., Ltd.	$ 34,445	$ -
Valuation adjustment	29,408	-
Total	$ 63,853	$ -

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, 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 income amounting to $29,408 for the year ended December 31, 2016.

C. The Group has no available-for-sale financial assets pledged as collaterals.

(4) Notes receivable

	December 31, 2016	December 31, 2015
Notes receivable	$ 214,239	$ 107,617
Less: allowance for bad debts	(1,225)	(1,225)
Total	$ 213,014	$ 106,392

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

	December 31, 2016	December 31, 2015
Accounts receivable	$ 4,424,269	$ 3,428,979
Less: allowance for bad debts	(405,156)	(356,232)
Total	$ 4,019,113	$ 3,072,747

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

	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	$ 2,733,179	($ 111,901)	$ 2,621,278

	December 31, 2015		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	$ 503,641	($ 22,255)	$ 481,386
Merchandise inventory	727,151	(44,139)	683,012
Raw materials	352,303	(12,742)	339,561
Supplies	23,550	(1,465)	22,085
Work in process	520,862	(9,490)	511,372
Semi-finished goods and finished goods	225,253	(14,401)	210,852
Total	$ 2,352,760	($ 104,492)	$ 2,248,268

A. Relevant expenses of inventories recognised as operating costs for the years ended December 31, 2016 and 2015 are as follows:

	Years ended December 31,	
	2016	2015
Construction cost	$ 8,313,092	$ 9,275,955
Cost of sales	7,273,914	5,994,759
Other operating cost	805,645	746,320
Loss on (gain on reversal of) market value decline and obsolete and slow-moving inventories (Note)	10,633	(12)
Total	$ 16,403,284	$ 16,017,022

Note: The gain on reversal was recognized when certain inventories which were previously provided with allowance were subsequently scrapped or sold.

B. The Group has no inventories pledged to others.

(7) Prepayments

	December 31, 2016	December 31, 2015
Prepayment for purchases	$ 383,792	$ 358,506
Others	72,505	40,120
Total	$ 456,297	$ 398,626

(8) Construction contracts receivable / payable

	December 31, 2016	December 31, 2015
Aggregate costs incurred plus recognised profits (less recognised losses)	$ 23,718,635	$ 19,621,107
Less: progress billings	(22,175,797)	(18,373,035)
Net balance sheet position for construction in progress	$ 1,542,838	$ 1,248,072
Presented as:		
Receivables from customers on construction contracts	$ 2,868,149	$ 2,485,012
Payables to customers on construction contracts	(1,325,311)	(1,236,940)
	$ 1,542,838	$ 1,248,072
Retentions relating to construction contracts	$ 63,444	$ 40,509
Advances received before the related construction work is performed	$ 110,290	$ 246,893

(9) Financial assets measured at cost - non-current

	December 31, 2016	December 31, 2015
Non-current items:		
Taiwan Intelligent Fiber Optic Network Co., Ltd.	$ 44,024	$ 44,024
Ares Green Technology Corp.	43,481	43,481
Taiwan Puritic Corp.	39,287	39,287
Civil Tech Pte. Ltd.	16,438	19,500
VEEV Interactive Pte. Ltd.	15,243	15,243
ProbeLeader Co., Ltd.	14,490	14,490
IP Fund Six Co., Ltd.	10,000	10,000
Innorich Venture Capital Corp.	10,000	10,000
H&D Venture Capital Investment Corp.	8,320	12,800
Calitech Co., Ltd.	-	38,563
Others (companies individually not exceeding $10,000)	55,345	40,326
Total	$ 256,628	$ 287,714

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. Since Calitech Co., Ltd. was listed on the Taipei Exchange in September 2016, the Company has reclassified the investments as available-for-sale financial assets – current for the purpose of the original acquisition.

C. The ending balances of VEEV Interactive Pte. Ltd. for the year ended December 31, 2015 was assessed to decline and would be lower than the original investment cost. Therefore, impairment loss of $10,000 was recognised on equity investment.

D. The ending balances of SOPOWER Technology Corp. for the year ended December 31, 2015 was assessed to decline and would be lower than the original investment cost. Therefore, impairment loss of $4,500 was recognised on equity investment.

E. 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:

	December 31, 2016		December 31, 2015	
	Carrying amount	% interest held	Carrying amount	% interest held
Glory Technology Service Inc.	$ 33,463	35%	$ 28,316	40%
Leader Fortune Enterprise Co., Ltd.	2,352	31.43%	4,243	31.43%
MIC Techno Co., Ltd.	1,864	20%	1,882	20%
Solmark Advanced Materials Technology, Inc.	-	-	41,274	30%
True Victor International Limited	-	-	289	38.57%
Total	$ 37,679		$ 76,004	

B. Associates

Associates using equity method are all individually immaterial and the Group’s share of the operating results are summarized below:

	Years ended December 31,	
	2016	2015
Profit (loss) for the period from continuing operations	$ 5,182	($ 6,691)
Other comprehensive (loss) income - net of tax	(331)	43
Total comprehensive income (loss)	$ 4,851	($ 6,648)

(11) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
At January 1, 2016						
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	$ 205,438	$ 1,037,783	$ 124,754	$ 42,164	$ 9,415	$ 1,419,554
Year ended December 31, 2016						
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	$ 205,438	$ 975,831	$ 121,914	$ 63,746	$ 21,657	$ 1,388,586
At December 31, 2016						
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	$ 205,438	$ 975,831	$ 121,914	$ 63,746	$ 21,657	$ 1,388,586

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
At January 1, 2015						
Cost	$ 205,438	$ 1,780,749	$ 612,043	$ 169,741	$ 34,703	$ 2,802,674
Accumulated depreciation	-	(693,862)	(501,053)	(131,365)	(14,918)	(1,341,198)
Book value	$ 205,438	$ 1,086,887	$ 110,990	$ 38,376	$ 19,785	$ 1,461,476
Year ended December 31, 2015						
Opening net book amount	$ 205,438	$ 1,086,887	$ 110,990	$ 38,376	$ 19,785	$ 1,461,476
Additions	-	3,219	8,058	19,293	3,512	34,082
Acquired from business combination	-	-	26,439	368	3,820	30,627
Transfers (Note)	-	11,181	6,610	(15)	(13,637)	4,139
Disposals	-	-	(234)	(313)	(613)	(1,160)
Depreciation	-	(61,551)	(28,112)	(14,818)	(1,497)	(105,978)
Net exchange differences	-	(1,953)	1,003	(727)	(1,955)	(3,632)
Closing net book amount	$ 205,438	$ 1,037,783	$ 124,754	$ 42,164	$ 9,415	$ 1,419,554
At December 31, 2015						
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	$ 205,438	$ 1,037,783	$ 124,754	$ 42,164	$ 9,415	$ 1,419,554

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

	December 31, 2016		Interest rate range	Collateral
Bank borrowings				
Unsecured borrowing	$	1,787,601	0.95%~4.785%	None
Mortgage loan		125,773	2.89997%~5.0025%	Buildings
	$	1,913,374		

	December 31, 2015		Interest rate range	Collateral
Bank borrowings				
Unsecured borrowing	$	1,349,823	1.05%~5.335%	None
Mortgage loan		20,925	1.8%~2.972%	Buildings and time deposits
	$	1,370,748		

Details of mortgage loan are provided in Note 8.

(13) Other payables

	December 31, 2016		December 31, 2015	
Salaries and bonus payable	$	314,283	$	297,362
Accrued employees' compensation and directors' and supervisors' remuneration		82,997		46,197
Others		57,738		77,733
Total	$	455,018	$	421,292

(14) Advance receipts

	December 31, 2016		December 31, 2015	
Sales revenue received in advance	$	694,731	$	590,997
Others		29,730		7,117
Total	$	724,461	$	598,114

(15) Bonds payable

	December 31, 2016		December 31, 2015	
Bonds payable	$	500,000	$	-
Less: Discount on bonds payable	(	22,847)		-
Total	$	477,153	$	-

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: NTD $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, 2016, 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%.

(16) Long-term borrowings

A. As of December 31, 2016 and 2015, there was no change in the balance of undrawn borrowing facilities.

B. The Group has the following undrawn borrowing facilities:

	December 31, 2016	December 31, 2015
Floating rate:		
Expiring beyond one year	$ 600,000	$ 900,000
Fixed rate:		
Expiring beyond one year	13,820	14,415
	$ 613,820	$ 914,415

(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:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 257,124	$ 242,770
Fair value of plan assets	(112,481)	(112,180)
Net defined benefit liability	$ 144,643	$ 130,590

(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, 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)
	(245,402)	111,472	(133,930)
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)
	(15,359)	(616)	(15,975)
Pension fund contribution	-	5,262	5,262
Paid pension	3,637	(3,637)	-
Balance at December 31	($ 257,124)	$ 112,481	($ 144,643)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	($ 221,827)	$ 106,710	($ 115,117)
Current service cost	(1,300)	-	(1,300)
Interest (expense) income	(4,401)	2,158	(2,243)
Past service cost	693	-	693
Settlement profit (loss)	2,596	(2,745)	(149)
	(224,239)	106,123	(118,116)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	700	700
Change in demographic assumptions	(3,566)	-	(3,566)
Change in financial assumptions	(16,547)	-	(16,547)
Experience adjustments	1,582	-	1,582
	(18,531)	700	(17,831)
Pension fund contribution	-	5,357	5,357
Balance at December 31	($ 242,770)	$ 112,180	($ 130,590)

(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, 2016 and 2015 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,	
	2016	2015
Discount rate	1.50%	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, 2016				
Effect on present value of defined benefit obligation	($ 8,570)	$ 8,969	$ 8,901	($ 8,549)
December 31, 2015				
Effect on present value of defined benefit obligation	($ 8,492)	$ 8,902	$ 8,835	($ 8,472)

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 2015 and during 2014 are the same.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ended December 31, 2017 amounts to $6,088.

(g) As of December 31, 2016, the weighted average duration of the defined benefit retirement plan is 13 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, 2016 and 2015 were $89,003 and $89,835, respectively.

(18) Share-based payment

A. For the years ended December 31, 2016 and 2015, 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 Decmeber 31,			
	2016		2015	
	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	$ 19.60	-	$ -
Options granted	-	-	3,956	19.60
Options exercised	-	-	-	-
Options forfeited	-	-	-	-
Options outstanding at end of the period	3,956	18.20	3,956	19.60
Options exercisable at end of the period	-		-	
Options approved but not yet issued at end of the period	44		44	

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		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

		December 31, 2015	
Issue date approved	Expiry date	No. of shares (in thousands)	Exercise price (in dollars)
2015.9.11	2021.9.10	3,956	$ 19.60

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 $ 8,537 and $ 2,419 for the years ended December 31, 2016 and 2015, respectively.

(19) Share capital

As of December 31, 2016, 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 $1,650,698 with a par value of $10 (in dollars) per share amounting to 165,069,756 shares. All proceeds from shares issued have been collected.

(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 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:

	Year ended December 31, 2016			
	Share premium	Stock options	Expired stock options	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	$ 616,003	$ 32,092	$ 351	$ 648,446

	Year ended December 31, 2015			
	Share premium	Stock options	Expired stock options	Total
At January 1	$ 616,003	$ -	$ 351	$ 616,354
Compensation cost of employee stock options	-	2,419	-	2,419
At December 31	$ 616,003	$ 2,419	$ 351	$ 618,773

(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 2015 and 2014 earnings appropriation resolved by the stockholders on May 31, 2016 and May 28, 2015, respectively are as follows:

	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 45,873	$ -	$ 38,454	$ -
Cash dividends	330,140	2.0	330,140	2.0
Total	$ 376,013		$ 368,594	

The abovementioned distribution of earnings for the years of 2015 and 2014 were in agreement with those amounts proposed by the Board of Directors on February 22, 2016 and February 24, 2015, respectively.

Information about the earnings distribution of 2015 and 2014 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 2016 earnings appropriation proposed by the Board of Directors on February 20, 2017 are as follows:

	2016	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 51,515	$ -
Cash dividends	363,153	2.2
Total	$ 414,668	

Information about the earnings appropriation for 2015 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 2016 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,	
	2016	2015
Construction revenue	$ 8,870,365	$ 9,867,449
Sales revenue	8,483,422	6,892,576
Other operating revenue	1,297,154	1,271,599
Total	$ 18,650,941	$ 18,031,624

(23) Other income

	Years ended December 31,	
	2016	2015
Government grants revenue	$ 34,181	$ 12,486
Dividend income	14,624	9,169
Rental revenue	5,371	4,088
Other income	27,186	31,987
Total	$ 81,362	$ 57,730

(24) Other gains and losses

	Years ended December 31,	
	2016	2015
Net gains on financial assets at fair value through profit or loss	$ 1,328	$ 863
Gain (loss) on disposal of investments	7,894	(123)
Impairment loss on financial assets	-	(14,829)
Exchange (loss) gain	(56,149)	17,760
Other losses	(7,938)	(8,353)
Total	($ 54,865)	($ 4,682)

(25) Employee benefit expense, depreciation and amortisation

A. Employee benefit expense, depreciation and amortisation

	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

	Year ended December 31, 2015		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 579,867	$ 715,645	$ 1,295,512
Compensation cost of employee stock options	-	2,419	2,419
Labour and health insurance fees	62,392	57,271	119,663
Pension costs	48,349	44,485	92,834
Other employee benefit expense	18,908	22,094	41,002
Depreciation	68,656	37,322	105,978
Amortisation	4,751	16,333	21,084

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

(a) According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, 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, 2016 and 2015, employees' compensation and directors' and supervisors' remuneration are accrued as follows:

	Years ended December 31,	
	2016	2015
Employees' compensation	$ 75,452	$ 40,000
Directors' and supervisors' remuneration	7,545	6,197
Total	$ 82,997	$ 46,197

For the year ended December 31, 2016, employees' compensation and directors' remuneration were estimated and accrued based on 10% and 1% of distributable profit of current year as of the end of reporting period.

The employees' compensation and directors' and supervisors' remuneration of 2016 resolved by the Board of Directors on February 20, 2017 were $75,452 and $7,545, respectively, and the employees'compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2015 as resolved by the meeting of Board of Directors were in agreement with those amounts recognised in the 2015 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.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2016	2015
Current tax		
Current tax on profits for the period	$ 156,528	$ 134,605
Additional 10% tax on undistributed earnings	6,791	2,364
Adjustments in respect of prior years	4,640	2,817
Total current tax	167,959	139,786
Deferred tax		
Origination and reversal of temporary differences	(6,609)	(13,382)
Income tax expense	$ 161,350	$ 126,404

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

	Years ended December 31,	
	2016	2015
Currency translation differences of foreign operations	$ 16,855	$ 6,574
Remeasurements of defined benefit obligations	2,716	3,031
	$ 19,571	$ 9,605

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2016	2015
Tax calculated based on profit before tax and statutory tax rate	$ 114,344	$ 99,686
Effect of items disallowed by tax regulation	35,575	21,537
Additional 10% tax on unappropriated earnings	6,791	2,364
Prior year income tax underestimation	4,640	2,817
Income tax expense	$ 161,350	$ 126,404

C. Amounts of deferred tax assets or liabilities as a result of temporary difference and investment tax credit are as follows:

	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	108,037	3,170	2,716	113,923
—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	(30,644)	3,439	16,855	(10,350)
Total	$ 77,393	$ 6,609	$ 19,571	$ 103,573

	Year ended December 31, 2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Bad debt expense	$ 26,152	$ 1,462	$ -	$ 27,614
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	11,220	(850)	-	10,370
Defined benefit obligation	19,570	(401)	3,031	22,200
Impairment loss	7,820	(1,803)	-	6,017
Unused compensated absences payable	7,778	(1,689)	-	6,089
Unrealised loss on investments	28,569	7,178	-	35,747
Subtotal	101,109	3,897	3,031	108,037
－Deferred tax liabilities:				
Unrealised exchange gain	(2,937)	477	-	(2,460)
Unrealised construction gain	(12,996)	9,008	-	(3,988)
Exchange differences on translation	(30,770)	-	6,574	(24,196)
Subtotal	(46,703)	9,485	6,574	(30,644)
Total	$ 54,406	$ 13,382	$ 9,605	$ 77,393

D. Assessment of the Company’s and domestic subsidiary’s income tax returns is as follows:

	Assessment
The Company	Through 2014
eZoom Information, Inc.	Through 2014

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, 2016	December 31, 2015
Balance of the imputation tax credit account	$ 394,208	$ 352,687

The creditable tax rate is estimated to be 29.25% for 2016 and was 28.08% for 2015.

(27) Earnings per share

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 515,151	165,070	$ 3.12
Diluted earnings per share			
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	$ 517,676	175,356	$ 2.95

	Year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 458,724	165,070	$ 2.78
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonuses	-	2,756	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 458,724	167,826	$ 2.73

(28) Operating leases

Details are provided in Note 9(1).

(29) Business combinations

A. Acquired the share ownership of MICT International Limited

(a) The Group originally held 50% share ownership of MICT International Limited (MICT) and obtained the remaining 50% share ownership on March 3, 2015. As the Group holds all voting rights in MICT International Limited and its subsidiary (Integrated Manufacturing & Services Co., Ltd.), MICT and Integrated Manufacturing & Services Co., Ltd. are included in the consolidated entities since March 2015.

(b) The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interests in MICT:

	March 3, 2015	
Purchase consideration		
Cash	$	12,453
Fair value of interests in MICT on the acquisition date that had been owned prior to the acquisition		11,670
	$	24,123
Fair value of the identifiable assets acquired and liabilities assumed		
Investments accounted for using equity method	$	23,340
Total identifiable net assets	$	23,340
Goodwill	$	783

(c) The Group recognised a gain of $349 as a result of measuring at fair value its 50% equity interest in MICT held before the business combination.

(d) The operating revenue included in the consolidated statement of comprehensive income since March 2015 until December 31, 2015 contributed by MICT and its subsidiary was $4,070. MICT and its subsidiary also contributed loss before income tax of $9,580 over the same period. Had MICT and its subsidiary been consolidated starting from January 1, 2015, the consolidated statement of comprehensive income would show operating revenue of $18,033,125 and profit before income tax of $584,918 for the year ended December 31, 2015.

B. Acquired the share ownership of MICT International Limited

(a) The Group originally held 40% share ownership of Frontken MIC Co. Limited (Frontken MIC) and obtained the remaining 60% share ownership on September 30, 2015. As the Group holds all voting rights in Frontken MIC Co. Limited and its subsidiary (Frontken-MIC (Wuxi) Co., Ltd.), it and its subsidiary (Frontken-MIC (Wuxi) Co., Ltd.) are included in the consolidated entities with its subsidiary since September 2015.

(b) The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interests in Frontken MIC:

	September 30, 2015
Purchase consideration	
Cash	$ 2,958
Fair value of interests in Frontken MIC on the acquisition date that had been owned prior to the acquisition	3,585
	$ 6,543
Fair value of the identifiable assets acquired and liabilities assumed	
Investments accounted for using equity method	$ 8,962
Total identifiable net assets	$ 8,962
Goodwill	($ 2,419)

(c) The Group recognised a gain of $206 as a result of measuring at fair value its 40% equity interest in Frontken MIC held before the business combination.

(d) The operating revenue included in the consolidated statement of comprehensive income since September 30, 2015 until December 31, 2015 contributed by Frontken MIC and its subsidiary was $0. Frontken MIC and its subsidiary also contributed loss before income tax of $99 over the same period. Had Frontken MIC and its subsidiary been consolidated starting from January 1, 2015, the consolidated statement of comprehensive income would show operating revenue of $18,031,624 and profit before income tax of $584,837 for the year ended December 31, 2015.

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Sales of goods and services

	Years ended December 31,	
	2016	2015
Sales of goods		
Other related parties	$ 24,900	$ 21,637
Entities controlled by key management or entities with significant influence	-	72,275
Total	$ 24,900	$ 93,912

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, 2016	Years ended December 31, 2015
Purchases of goods		
Associates	$ 9,082	$ -
Entities controlled by key management or entities with significant influence	3,660	34,133
Other related parties	3,167	-
Total	$ 15,909	$ 34,133

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, 2016	Years ended December 31, 2015
Outsourcing construction costs		
Entities controlled by key management or entities with significant influence	$ 9,579	$ 24,446
Other related parties	7,401	4,329
Total	$ 16,980	$ 28,775

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, 2016	December 31, 2015
Other related parties	$ 382	$ 12,591
Entities controlled by key management or entities with significant influence	35	11,211
Subtotal	417	23,802
Less: allowance for bad debts	-	(461)
Total	$ 417	$ 23,341

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

	December 31, 2016	December 31, 2015
Entities controlled by key management or entities with significant influence	$ 13,422	$ 20,610
Other related parties	143	-
Total	$ 13,565	$ 20,610

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. Construction contracts receivable

Advanced construction receipts

	December 31, 2016	December 31, 2015
Associates	$ 10,316	$ 9,396
Other related parties	3,542	9,473
Total	$ 13,858	$ 18,869

F. Property transactions

On December 31, 2016 and 2015, the Group has acquired computer equipment and related software from entities controlled by key management and the acquisition price was $21,265 and $16,445 (recorded as 'property, plant and equipment' and 'intangible assets'), respectively.

(2) Key management compensation

	Years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	$ 60,068	$ 54,417

8. PLEDGED ASSETS

Details of the book value of the Group's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2016	December 31, 2015	Purpose
Time deposits (recorded as 'other current assets')	$ 17,359	$ 17,769	Performance guarantee, warranty guarantee and guarantee for bank's borrowing facility
Other financial assets (recorded as 'other current assets')	45,636	45,022	Bid bond and performance guarantee
Buildings (recorded as 'property, plant and equipment')	143,903	167,820	Guarantee and guarantee for bank's borrowing facility
	$ 206,898	$ 230,611	

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 $155,840 and $137,201 for these leases in profit or loss for the years ended December 31, 2016 and 2015, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 56,021	$ 49,740
Later than one year but not later than five years	79,754	72,361
Later than five years	35,802	27,880
Total	$ 171,577	$ 149,981

(2) As of December 31, 2016, the notes and letters of guarantee used for construction performance and custom security amounted to $1,417,353.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(21) E(b).

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, 2016					
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
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	0.2576	154,285	1%	1,543	-
RMB：NTD	22,028	4.6169	101,703	1%	1,017	-
USD：IDR	1,201	13,272	38,748	1%	387	-
USD：MMK	1,876	1,365	60,514	1%	605	-
Financial liabilities						
Monetary items						
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	-

	December 31, 2015					
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 29,918	32.825	$ 982,063	1%	$ 9,821	$ -
USD：RMB	9,073	6.5717	297,827	1%	2,978	-
EUR：NTD	3,836	35.88	137,640	1%	1,376	-
EUR：USD	1,108	1.09	39,748	1%	397	-
JPY：NTD	213,944	0.2727	58,343	1%	583	-
Financial liabilities						
Monetary items						
USD：NTD	$ 3,990	32.825	$ 130,972	1%	$ 1,310	$ -
USD：RMB	22,133	6.5717	726,510	1%	7,265	-
USD：SGD	1,757	1.4118	57,670	1%	577	-
JPY：NTD	172,377	0.2727	47,007	1%	470	-

- 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, 2016		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD：NTD	$ -	32.25	$ 22,940
USD：RMB	2,930	6.9852	13,526
Financial liabilities			
Monetary items			
USD：RMB	($ 8,549)	6.9852	($ 39,471)

	Year ended December 31, 2015		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD：RMB	$ 1,937	6.5717	$ 9,674
USD：NTD	-	32.825	13,559
Financial liabilities			
Monetary items			
USD：RMB	($ 8,633)	6.5717	($ 43,120)

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, 2016 and 2015 would have increased/decreased by $76 and $76. Other financial assets that have been deducted from reconciling items in stockholders’ equity and recognized as profit/loss for the year ended in 2016 and 2015 are $885 and $0, stockholders’ equity for the years ended December 31, 2016 and 2015 would have increased/decreased by $344 and $0, 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 2016 and 2015 are $29,408 and $0, 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, 2016 and 2015 would have increased/ decreased by $15,881 and $11,377, respectively.

(b) Credit risk

i. 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. 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 Loaning 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.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. 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:

	December 31, 2016	December 31,
Up to 90 days	$ 1,083,284	$ 661,49

iv. Movement analysis of notes and accounts receivable (including related parties) that were impaired is as follows:

a. As of December 31, 2016 and 2015, the Group's accounts receivable that were impaired amounted to $3,003,158 and $2,376,220, and allowance for bad debt was accrued as $406,381 and $357,918, respectively.

b. Movements on the Group's provision for impairment of accounts receivable are as follows:

	Year ended December 31, 201		
	Individual provision	Group provision	Total
At January 1	$ 191,893	$ 166,025	$ 357,91
Provision of impairment du the period	-	74,825	74,82
Write-offs durin the period	(11,410)	(148)	(11,56
Transfer during the period	33,974	(33,974)	-
Effect of exchange rate	(6,592)	(8,203)	(14,79
At December 31	$ 207,856	$ 198,525	$ 406,38

	Year ended December 31, 2015		
	Individual provision	Group provision	Total
At January 1	$ 175,381	$ 135,094	$ 310,475
Provision of impairment during the period	33,666	48,535	82,201
Write-offs during the period	(31,839)	-	(31,839)
Transfer during the period	16,276	(16,276)	-
Effect of exchange rate	(1,591)	(1,328)	(2,919)
At December 31	$ 191,893	$ 166,025	$ 357,918

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

	December 31, 2016	December 31, 2015
Type A	$ 1,827	$ 4,387
Type B	156,469	233,420
Type C	394,187	284,874
	$ 552,483	$ 522,681

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

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
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	-
Financial guarantee contract	34,002	-	-	-

Non-derivative financial liabilities

December 31, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 1,370,748	$ -	$ -	$ -
Notes payable	806,991	-	-	-
Accounts payable (including related parties)	2,761,374	-	-	-
Other payables	421,292	-	-	-

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, 2016 and 2015 is as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
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	63,853	-	-	63,853
Total	$ 71,100	$ -	$ 50	$ 71,150

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 5,719	$ -	$ -	$ 5,719

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 year ended December 31, 2016:

	2016
Beginning balance	$ -
Additions	250
Gain and losses recognised in profit or loss	(200)
Ending balance	$ 50

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, 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; 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, 2016			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change	Favorable change	Unfavorable change
Financial assets						
Convertible bond						
- call provision	Interest rate	± 20 bps	$ 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

(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, 2016 and 2015 is as follows:

	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

	Year ended December 31, 2015				
	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	$ 3,421,859	$ 11,157,212	$ 3,378,095	$ 74,458	$ 18,031,624
Inter-segment revenue	61,806	67,078	8,537	5,690	143,111
Total segment revenue	$ 3,483,665	$ 11,224,290	$ 3,386,632	$ 80,148	$ 18,174,735
Segment profit (loss)	$ 298,574	$ 95,900	$ 171,996	$ 7,966	$ 574,436
Segment profit including:					
Depreciation and amortisation	$ 5,953	$ 51,755	$ 65,471	$ 3,883	$ 127,062

(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, 2016 and 2015 is provided as follows:

	Years ended December 31,	
	2016	2015
Reportable segments income	$ 707,638	$ 566,470
Other reportable segments (loss) income	(7,338)	7,966
Total segments	700,300	574,436
Other gains and losses	(35,581)	26,905
Gain (loss) on disposal of investments	7,894	(123)
Impairment loss	-	(14,829)
Income before tax from continuing operations	$ 672,613	$ 586,389

(5) Information on products

Details of revenue balance is as follows:

	Years ended December 31,	
	2016	2015
Sales and service of high-tech equipment and materials	$ 5,139,244	$ 4,762,693
R&D and manufacturing of customized equipment	4,926,629	4,032,353
Total Facility Engineering Turnkey Project	4,530,809	5,045,118
Automatic supplying system	4,054,259	4,191,460
Total	$ 18,650,941	$ 18,031,624

(6) Geographical information

Financial information by geographical area for the years ended December 31, 2016 and 2015 is as follows:

	Years ended December 31,			
	2016		2015	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 8,759,422	$ 1,148,603	$ 9,338,747	$ 1,141,613
China	5,601,629	205,832	5,600,175	245,171
Others	4,289,890	100,753	3,092,702	104,868
Total	$ 18,650,941	$ 1,455,188	$ 18,031,624	$ 1,491,652

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, 2016 and 2015:

	Years ended Decmeber 31,			
	2016		2015	
	Revenue	Segment	Revenue	Segment
Customer A	$ 2,966,910	Facility system and mechanic & electric system service segment	$ 3,344,098	Facility system and mechanic & electric system service segment
Customer B	1,885,260	R&D and manufacturing of customized equipment segment	1,316,020	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.

PARENT COMPANY ONLY FINANCIAL STATEMENTS

AND REPORT OF INDEPENDENT ACCOUNTANTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 judgment, were of most significance in our audit of the Marketech International Corp. parent company only financial statements of the year ended December 31, 2016. 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(18) 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(19) 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 audit scope as follows:

A. Obtained an understanding of the managements' control system when the contract has been created or significant change in estimate 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, and sampling the basis of estimation and subcontracting amount, and ensure it has been approved appropriately by the management.

D. Checked the rationality of significant changes in estimation of construction cost, and sample test whether the revised plan has been approved by the management.

E. Obtained the billing details, and select samples of related vouchers by using statistical procedure to check the correctness of input cost in engineering reports and computation of percentage of completion.

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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, 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, 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 is one of the key audit matters.

How our audit addressed the matter

We tailored the audit scope as follows:

A. Assessed the reasonableness of the allowance for inventory valuation losses based on our understanding of the Company's operating conditions and industry. This includes the classification of the net realizable value of inventories, the evidence which showed the inventories were subsequently scrapped or sold, and the judgement on slow-moving inventories are reasonable.

B. Obtained an understanding of the Company's inventory control procedures. Review annual inventory counting plan and participate in the annual inventory counting event.

C. Verified the appropriateness of the stock aging analysis, and ensured it is consistent with the Company's policy.

D. Inspected the sales contracts and discussed with the management to evaluate the reasonableness of the future demand for inventories. In order to assess the reasonableness of allowance for inventory valuation losses, we sampled inventories to verify the digestion of inventories and historical data of inventory discount.

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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 for those 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 collectively assessment. If the accounts receivable over a certain age is significant, the management will re-examine the collectibility, 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 judgment 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 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 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 has 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 judgment 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.

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 othermatters, 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.

Lin, Chun-Yao

Lin, Chun-Yao

Chang, Shu-Chiung

Chang, Shu-Chiung

for and on behalf of PricewaterhouseCoopers, Taiwan

February 20, 2017

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

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

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 881,517	8	$ 670,818	7
1110	Financial assets at fair value through profit or loss - current	6(2)	7,297	-	5,719	-
1125	Available-for-sale financial assets - current	6(3)	63,853	1	-	-
1150	Notes receivable, net	6(4)	136,651	1	63,435	1
1170	Accounts receivable, net	6(5)(7)	2,642,947	24	1,950,129	21
1180	Accounts receivable - related parties, net	7	11,098	-	22,474	-
1190	Construction contracts receivable	6(7) and 7	1,935,864	17	1,613,903	17
1200	Other receivables	7	85,969	1	21,871	-
130X	Inventories, net	6(6)	1,949,583	18	1,566,187	17
1410	Prepayments		305,882	3	155,739	2
1470	Other current assets	8	19,882	-	43,506	-
11XX	**Total current assets**		8,040,543	73	6,113,781	65
	Non-current assets					
1543	Financial assets at cost-non-current	6(8)	254,873	2	285,816	3
1550	Investments accounted for using equity method	6(9)	1,471,719	14	1,653,587	18
1600	Property, plant and equipment, net	6(10) and 7	1,120,544	10	1,126,399	12
1780	Intangible assets	7	15,515	-	12,265	-
1840	Deferred tax assets	6(23)	113,923	1	108,037	1
1900	Other non-current assets	6(9)(10)	20,757	-	42,037	1
15XX	**Total non-current assets**		2,997,331	27	3,228,141	35
1XXX	**Total Assets**		$ 11,037,874	100	$ 9,341,922	100

(Continued)

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11)	$ 550,000	5	$ 490,000	5
2150	Notes payable		858,352	8	806,991	9
2170	Accounts payable		2,339,645	21	1,685,147	18
2180	Accounts payable - related parties	7	24,306	-	20,141	-
2190	Construction contracts payable	6(7)	1,136,463	10	1,099,852	12
2200	Other payables	6(12)	338,486	3	301,666	3
2230	Current tax liabilities	6(23)	93,751	1	77,393	1
2310	Advance receipts		423,408	4	217,263	2
2399	Other current liabilities, others		9,566	-	21,872	-
21XX	**Total current liabilities**		5,773,977	52	4,720,325	50
	Non-current liabilities					
2530	Corporate bonds payable	6(13)	477,153	5	-	-
2570	Deferred tax liabilities	6(23)	10,350	-	30,644	-
2640	Net defined benefit liability - non-current	6(14)	144,643	1	130,590	2
2670	Other non-current liabilities, others	6(9)	24,140	-	767	-
25XX	**Total non-current liabilities**		656,286	6	162,001	2
2XXX	**Total Liabilities**		6,430,263	58	4,882,326	52
	Equity					
	Share capital	6(16)				
3110	Ordinary shares		1,650,698	15	1,650,698	18
	Capital surplus	6(17)				
3200	Capital surplus		648,446	6	618,773	7
	Retained earnings	6(18)				
3310	Legal reserve		575,258	5	529,385	6
3320	Special reserve		92,239	1	92,239	1
3350	Unappropriated retained earnings		1,667,955	15	1,542,603	16
	Other equity interest					
3400	Other equity interest		(26,985)	-	25,898	-
3XXX	**Total Equity**		4,607,611	42	4,459,596	48
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total Liabilities and Equity**		$ 11,037,874	100	$ 9,341,922	100

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

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Items	Notes	Year ended December 31 2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
4000	**Operating Revenue**	6(19) and 7	$ 13,308,343	100	$ 12,482,462	100
5000	**Operating Costs**	6(6)(22) and 7	(11,559,334)	(87)	(10,996,701)	(88)
5900	**Gross Profit**		1,749,009	13	1,485,761	12
	Operating Expenses	6(22) and 7				
6100	Sales and marketing expenses		(271,458)	(2)	(256,264)	(2)
6200	General and administrative expenses		(499,353)	(4)	(439,859)	(4)
6300	Research and development expenses		(208,022)	(1)	(173,307)	(1)
6000	**Total operating expenses**		(978,833)	(7)	(869,430)	(7)
6900	**Operating Profit**		770,176	6	616,331	5
	Non-operating Income and Expenses					
7010	Other income	6(20) and 7	101,828	1	64,137	1
7020	Other gains and losses	6(2)(8)(21)	(4,946)	-	28,670	-
7050	Finance costs		(12,322)	-	(8,161)	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		(183,210)	(2)	(127,460)	(1)
7000	**Total non-operating income and expenses**		(98,650)	(1)	(42,814)	-
7900	**Profit before Income Tax**		671,526	5	573,517	5
7950	Income tax expense	6(23)	(156,375)	(1)	(114,793)	(1)
8200	**Net Income**		$ 515,151	4	$ 458,724	4
	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(14)	($ 15,975)	-	($ 17,831)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	2,716	-	3,031	-
8310	**Total components of other comprehensive loss that will not be reclassified to profit or loss**		(13,259)	-	(14,800)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign operations		(99,042)	(1)	(38,655)	(1)
8362	Unrealized gains on valuation of available-for-sale financial assets	6(3)	29,408	-	-	-
8380	Share of other comprehensive (loss) income of subsidiaries, associates and joint ventures accounted for using equity method		(104)	-	16	-
8399	Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	6(23)	16,855	-	6,574	-
8360	**Total components of other comprehensive loss that will be reclassified to profit or loss**		(52,883)	(1)	(32,065)	(1)
8300	**Other comprehensive loss, net of tax**		($ 66,142)	(1)	($ 46,865)	(1)
8500	**Total Comprehensive Income**		$ 449,009	3	$ 411,859	3
	Basic earnings per share	6(24)				
9750	**Basic earnings per share**			$ 3.12		$ 2.78
	Diluted earnings per share	6(24)				
9850	**Diluted earnings per share**			$ 2.95		$ 2.73

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

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - ordinary shares	Capital Reserves: Capital surplus - share premium	Capital Reserves: Capital surplus - others	Retained Earnings: Legal reserve	Retained Earnings: Special reserve	Retained Earnings: Unappropriated retained earnings	Other equity interest: Financial statement translation differences of foreign operations	Other equity interest: Unrealized gain or loss on available-for-sale financial assets	Total equity
Year ended December 31, 2015										
Balance at January 1, 2015		$1,650,698	$ 616,003	$ 351	$ 490,931	$ 92,239	$ 1,467,273	$ 57,963	$ -	$4,375,458
Appropriation and distribution of 2014 earnings: (Note)	6(18)									
Legal reserve		-	-	-	38,454	-	(38,454)	-	-	-
Cash dividends		-	-	-	-	-	(330,140)	-	-	(330,140)
Share-based payment	6(15)(17)	-	-	2,419	-	-	-	-	-	2,419
Profit for 2015		-	-	-	-	-	458,724	-	-	458,724
Other comprehensive loss for 2015		-	-	-	-	-	(14,800)	(32,065)	-	(46,865)
Balance at December 31, 2015		$1,650,698	$ 616,003	$ 2,770	$ 529,385	$ 92,239	$ 1,542,603	$ 25,898	$ -	$4,459,596
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(18)									
Legal reserve		-	-	-	45,873	-	(45,873)	-	-	-
Cash dividends		-	-	-	-	-	(330,140)	-	-	(330,140)
Share-based payment	6(15)(17)	-	-	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(13)(17)	-	-	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		$1,650,698	$ 616,003	$ 32,443	$ 575,258	$ 92,239	$ 1,667,955	($ 56,393)	$ 29,408	$4,607,611

Note: The stockholders have resolved to distribute directors' and supervisors' remuneration of $6,197 and employees' bonus of $40,000 for 2015 and distribute directors' and supervisors' remuneration of $3,461 and employees' bonus of $34,715 for 2014. All amounts have been deducted from the statements of comprehensive income.

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

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 671,526	$ 573,517
Adjustments			
Adjustments to reconcile profit (loss)			
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(21)	(1,328)	(863)
Provision for bad debt expense	12	28,000	36,226
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		183,210	127,460
(Gain) loss on disposal of investments	6(21)	(7,894)	681
Depreciation	6(10)(22)	73,458	70,666
Amortisation	6(22)	13,648	10,272
Loss (gain) on disposal of property, plant and equipment		102	(269)
Impairment loss on financial assets	6(21)	-	14,829
Compensation cost of share-based payments	6(15)(17)(22)	8,537	2,419
Interest income		(1,749)	(503)
Interest expense		12,322	8,161
Dividend income		(14,624)	(9,169)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets measured at fair value through profit or loss - current		-	6,841
Notes receivable, net		(73,216)	(45,551)
Accounts receivable, net		(720,818)	87,137
Accounts receivable - related parties, net		11,376	14,147
Construction contracts receivable		(321,961)	144,238
Other receivables		(64,809)	18,067
Inventories, net		(383,396)	(314,849)
Prepayments		(150,143)	52,941
Other current assets		18,689	(16,664)
Changes in operating liabilities			
Notes payable		51,361	(657)
Accounts payable		654,498	(686,136)
Accounts payable - related parties		4,165	(972)
Construction contracts payable		36,611	183,094
Other payables		36,668	4,530
Advance receipts		206,145	56,191
Other current liabilities, others		(12,306)	12,408
Other non-current liabilities		(1,922)	(2,358)
Cash inflow generated from operations		256,150	345,834
Interest received		1,092	501
Dividends received		14,624	12,849
Interest paid		(9,128)	(8,066)
Income tax paid		(145,259)	(123,653)
Net cash flows from operating activities		117,479	227,465

(Continued)

MARKETECH INTERNATIONAL CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2016	Year ended December 31 2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets - current		$ 1,889	$ -
Acquisition of financial assets measured at cost – non-current		(20,131)	(21,259)
Proceeds from disposal of financial assets measured at cost – non-current		13,449	271
Proceeds from capital reduction of financial assets measured at cost – non-current		9,185	12,689
Acquisition of investments accounted for using equity method – subsidiaries		(93,243)	(240,835)
Acquisition of investments accounted for using equity method – non-subsidiaries		(1,408)	(42,000)
Proceeds from disposal of investments accounted for using equity method – non-subsidiaries		307	-
Proceeds from capital reduction of investments accounted for using equity methodity method		41,182	-
Acquisition of property, plant and equipment	6(10)	(70,282)	(28,297)
Proceeds from disposal of property, plant and equipment	6(10)	2,577	349
Acquisition of intangible assets		(16,898)	(8,068)
Decrease in refundable deposits		1,663	308
Increase in prepayments for investments	6(9)	-	(24,548)
Net cash flows used in investing activities		(131,710)	(351,390)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		60,000	490,000
Increase in guarantee deposits received		70	-
Proceeds from issuance of bonds		495,000	-
Cash dividends paid	6(18)	(330,140)	(330,140)
Net cash flows from financing activities		224,930	159,860
Net increase in cash and cash equivalents		210,699	35,935
Cash and cash equivalents at beginning of year	6(1)	670,818	634,883
Cash and cash equivalents at end of year	6(1)	$ 881,517	$ 670,818

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

MARKETECH INTERNATIONAL CORP.
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(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 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 20, 2017.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
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
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 operating result based on the Company's assessment.

(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 effective from 2017 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
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
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
IFRS 16, 'Leases'	January 1, 2019
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.

C. 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.

D. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

E. IFRIC 22, 'Foreign currency transactions and advance consideration'

The Interpretation states that the date of the transaction for a foreign currency-denominated contract should be the date of initial recognition of the non-monetary asset or non-monetary liability arising from the receipt or payment of the advance consideration.

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 of undertaking construction are classified as a current and non-current based on operating cycle.

(5) <u>Cash and cash equivalents</u>

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) <u>Financial assets at fair value through profit or loss</u>

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) <u>Available-for-sale financial assets</u>

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) <u>Investments accounted for using equity method / subsidiaries, associates and joint ventures</u>

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	4～55 years
Machinery and office equipment	3～15 years
Other equipment	2～8 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 Group use judgement and evaluation to consider the possibility of collecting it. The collectability assessment is affected on various factors: customers' financial conditions, historical transaction records, current economic conditions, etc. If the collectability of those accounts is in doubt, the Group will recognize allowance for uncollectible account individually. The evaluation of allowance is based on the status of balance sheets date for reasonable expectations of future events, the actual results may be different than estimation. Therefore, it may have significant changes.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 4,934	$ 8,762
Checking accounts and demand deposits	876,583	662,056
Total	$ 881,517	$ 670,818

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

	December 31, 2016	December 31, 2015
Financial assets held for trading		
Listed stocks	$ 7,592	$ 7,592
Call provision of convertible corporate bonds (Note 6(13))	250	-
	7,842	7,592
Valuation adjustment	(545)	(1,873)
Total	$ 7,297	$ 5,719

A. The Company recognised net gain of $1,528 and $863 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The Company recognised net gain (loss) of ($200) and $0 on the call provision of convertible corporate bonds issued by the Company for the years ended December 31, 2016 and 2015, 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

	December 31, 2016	December 31, 2015
Listed stocks		
Cailtech Co., Ltd.	$ 34,445	$ -
Valuation adjustment	29,408	-
Total	$ 63,853	$ -

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, 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 income amounting to $29,408 for the year ended December 31, 2016.

C. The Company has no available-for-sale financial assets pledged to others.

(4) Notes receivable

	December 31, 2016	December 31, 2015
Notes receivable	$ 137,876	$ 64,660
Less: allowance for bad debts	(1,225)	(1,225)
Total	$ 136,651	$ 63,435

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

	December 31, 2016	December 31, 2015
Accounts receivable	$ 2,853,235	$ 2,133,007
Less: allowance for bad debts	(210,288)	(182,878)
Total	$ 2,642,947	$ 1,950,129

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

	December 31, 2016		
	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	$ 2,016,583	($ 67,000)	$ 1,949,583

	December 31, 2015		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	$ 475,355	($ 13,344)	$ 462,011
Merchandise inventory	288,164	(26,711)	261,453
Raw materials	314,593	(10,481)	304,112
Supplies	22,733	(1,301)	21,432
Work in process	382,739	(5,646)	377,093
Semi-finished goods and finished goods	143,603	(3,517)	140,086
Total	$ 1,627,187	($ 61,000)	$ 1,566,187

A. Relevant expenses of inventories recognised as operating costs for the years ended December 31, 2016 and 2015 are as follows:

	Years ended December 31,	
	2016	2015
Construction cost	$ 5,790,851	$ 6,749,279
Cost of sales	5,045,900	3,640,648
Other operating cost	716,583	611,774
Loss on (gain on reversal of) market value decline and obsolete and slow-moving inventories (Note)	6,000	(5,000)
Total	$ 11,559,334	$ 10,996,701

Note: The gain on reversal was recognized when certain inventories which were previously provided with allowance were subsequently scrapped or sold.

B. The Company has no inventories pledged to others.

(7) Construction contracts receivable / payable

	December 31, 2016	December 31, 2015
Aggregate costs incurred plus recognised profits (less recognised losses)	$ 17,639,143	$ 14,622,032
Less: progress billings	(16,839,742)	(14,107,981)
Net balance sheet position for construction in progress	$ 799,401	$ 514,051
Presented as:		
Construction contracts receivable	$ 1,935,864	$ 1,613,903
Construction contracts payable	(1,136,463)	(1,099,852)
	$ 799,401	$ 514,051
Retentions relating to construction contracts	$ 63,444	$ 40,509
Advances received before the related construction work is performed	$ -	$ -

(8) Financial assets at cost - non-current

	December 31, 2016	December 31, 2015
Non-current items:		
Taiwan Intelligent Fiber Optic Network Co., Ltd.	$ 44,024	$ 44,024
Ares Green Technology Corp.	43,481	43,481
Taiwan Puritic Corp.	39,287	39,287
Civil Tech Pte. Ltd.	16,438	19,500
VEEV Interactive Pte. Ltd.	15,243	15,243
ProbeLeader Co., Ltd.	14,490	14,490
IP Fund Six Co., Ltd.	10,000	10,000
Innorich Venture Capital Corp.	10,000	10,000
H&D Venture Capital Investment Corp.	8,320	12,800
Calitech Co., Ltd.	-	38,563
Others (companies individually not exceeding $10,000)	53,590	38,428
Total	$ 254,873	$ 285,816

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. Since Calitech Co., Ltd. was listed on the Taipei Exchange in September 2016, the Company has reclassified the investments as available-for-sale financial assets – current for the purpose of the original acquisition.

C. The ending balances of VEEV Interactive Pte. Ltd. for the year ended December 31, 2015 was assessed to decline and would be lower than the original investment cost. Therefore, impairment loss of $10,000 was recognised on equity investment.

D. The ending balances of SOPOWER Technology Corp. for the year ended December 31, 2015 was assessed to decline and would be lower than the original investment cost. Therefore, impairment loss of $4,500 was recognised on equity investment.

E. The Company has no financial assets measured at cost pledged to others.

(9) Investments accounted for using equity method / prepayments for long – term investments

	December 31,			
	2016		2015	
	Carrying amount	% interest held	Carrying amount	% interest held
Subsidiaries:				
Market Go Profits Ltd.	$ 1,104,837	100%	$ 1,310,110	100%
Marketech Integrated Manufacturing Company Limited	98,860	100%	53,107	100%
Headquarter International Ltd.	42,383	100%	43,123	100%
Tiger United Finance Ltd.	40,897	100%	41,743	100%
PT Marketech International Indonesia	38,718	99.92%	-	-
MIC-Tech Viet Nam Co., Ltd.	35,389	100%	41,942	100%
Marketech International Sdn. Bhd.	26,198	51.12%	20,770	34%
eZoom Information, Inc.	23,525	100%	25,270	100%
MIC-Tech Global Corp.	10,910	100%	5,686	100%
Marketech Co., Ltd. (Hoa Phong Marketech Co., Ltd.)	9,778	100%	14,879	100%
Marketech Engineering Pte. Ltd.	4,897	100%	6,404	100%
Marketech Integrated Pte. Ltd.	(24,071)	100%	18,792	100%
Add: Credit of long-term equity investment transfer to‘other non-current liabilities, others’	24,071	-	-	-
Associates:				
Glory Technology Service Inc.	33,463	35%	28,316	40%
MIC Techno Co., Ltd.	1,864	20%	1,882	20%
Solmark Advanced Materials Technology, Inc.	-	-	41,274	30%
True Victor International Limited	-	-	289	38.57%
	$ 1,471,719		$ 1,653,587	
Prepayments for long-term investments (shown as ‘other non-current assets’)				
Marketech International Sdn. Bhd.	$ -		$ 24,548	

A. Subsidiaries

Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2016 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,	
	2016	2015
Profit for the period from continuing operations	$ 10,869	$ 3,835
Other comprehensive income - net of tax	-	27
Total comprehensive income	$ 10,869	$ 3,862

(10) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
At January 1, 2016						
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	$ 205,438	$ 830,422	$ 65,436	$ 24,640	$ 463	$ 1,126,399
Year ended December 31, 2016						
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	$ 205,438	$ 797,059	$ 68,247	$ 38,867	$ 10,933	$ 1,120,544
At December 31, 2016						
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	$ 205,438	$ 797,059	$ 68,247	$ 38,867	$ 10,933	$ 1,120,544

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
At January 1, 2015						
Cost	$ 205,438	$ 1,389,528	$ 355,159	$ 101,979	$ 22,451	$ 2,074,555
Accumulated depreciation	-	(528,855)	(287,577)	(81,046)	(8,229)	(905,707)
Book value	$ 205,438	$ 860,673	$ 67,582	$ 20,933	$ 14,222	$ 1,168,848
Year ended December 31, 2015						
Opening net book amount	$ 205,438	$ 860,673	$ 67,582	$ 20,933	$ 14,222	$ 1,168,848
Additions	-	3,219	7,311	13,624	4	24,158
Transfers (Note)	-	11,181	6,610	-	(13,652)	4,139
Disposals	-	-	(69)	(11)	-	(80)
Depreciation	-	(44,651)	(15,998)	(9,906)	(111)	(70,666)
Closing net book amount	$ 205,438	$ 830,422	$ 65,436	$ 24,640	$ 463	$ 1,126,399
At December 31, 2016						
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	$ 205,438	$ 830,422	$ 65,436	$ 24,640	$ 463	$ 1,126,399

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

	December 31, 2016	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowing	$ 550,000	0.95%~0.987%	None

	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowing	$ 490,000	1.05%~1.1%	None

(12) Other payables

	December 31, 2016	December 31, 2015
Salaries and bonus payable	$ 230,885	$ 207,168
Accrued employees' compensation and directors' and supervisors' remuneration	82,997	46,197
Others	24,604	48,301
Total	$ 338,486	$ 301,666

(13) Bonds payable

	December 31, 2016	December 31, 2015
Bonds payable	$ 500,000	$ -
Loss: Discount on bonds payable	(22,847)	-
Total	$ 477,153	$ -

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, 2016, 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%.

(14) 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, 2016	December 31, 2015
Present value of defined benefit obligations	$ 257,124	$ 242,770
Fair value of plan assets	(112,481)	(112,180)
Net defined benefit liability	$ 144,643	$ 130,590

(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, 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)
	(245,402)	111,472	(133,930)
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)
	(15,359)	(616)	(15,975)
Pension fund contribution	-	5,262	5,262
Paid Pension	3,637	(3,637)	-
Balance at December 31	($ 257,124)	$ 112,481	($ 144,643)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	($ 221,827)	$ 106,710	($ 115,117)
Current service cost	(1,300)	-	(1,300)
Interest (expense) income	(4,401)	2,158	(2,243)
Past service cost	693	-	693
Settlement profit (loss)	2,596	(2,745)	(149)
	(224,239)	106,123	(118,116)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	700	700
Change in demographic assumptions	(3,566)	-	(3,566)
Change in financial assumptions	(16,547)	-	(16,547)
Experience adjustments	1,582	-	1,582
	(18,531)	700	(17,831)
Pension fund contribution	-	5,357	5,357
Balance at December 31	($ 242,770)	$ 112,180	($ 130,590)

(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, 2016 and 2015 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,	
	2016	2015
Discount rate	1.50%	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, 2016				
Effect on present value of defined benefit obligation	($ 8,570)	$ 8,969	$ 8,901	($ 8,549)
December 31, 2015				
Effect on present value of defined benefit obligation	($ 8,492)	$ 8,902	$ 8,835	($ 8,472)

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, 2017 amounts to $6,088.

(g) As of December 31, 2016, the weighted average duration of the defined benefit retirement plan is 13 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, 2016 and 2015 were $34,895 and $33,316, respectively.

(15) Share-based payment

A. For the years ended December 31, 2016 and 2015, 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,			
	2016		2015	
	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	$ 19.60	-	$ -
Options granted	-	-	3,956	19.60
Options exercised	-	-	-	-
Options forfeited	-	-	-	-
Options outstanding at end of the period	3,956	18.20	3,956	19.60
Options exercisable at end of the period	-		-	
Options approved but not yet issued at end of the period	44		44	

C. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

Issue date approved	Expiry date	December 31, 2016 No. of shares (in thousands)	December 31, 2016 Exercise price (in dollars)
2015.9.11	2021.9.10	3,956	$ 18.20

Issue date approved	Expiry date	December 31, 2015 No. of shares (in thousands)	December 31, 2015 Exercise price (in dollars)
2015.9.11	2021.9.10	3,956	$ 19.60

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 $ 8,537 and $ 2,419 for the years ended December 31, 2016 and 2015, respectively.

(16) Share capital

As of December 31, 2016, 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 $1,650,698 with a par value of $10 (in dollars) per share amounting to 165,069,756 shares. All proceeds from shares issued have been collected.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be 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, 2016			
	Share premium	Stock options	Expired stock options	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	$ 616,003	$ 32,092	$ 351	$ 648,446

	Year ended December 31, 2015			
	Share premium	Stock options	Expired stock options	Total
At January 1	$ 616,003	$ -	$ 351	$ 616,354
Compensation cost of employee stock options	-	2,419	-	2,419
At December 31	$ 616,003	$ 2,419	$ 351	$ 618,773

(18) 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 2015 and 2014 earnings appropriation resolved by the stockholders on May 31, 2016 and May 28, 2015, respectively are as follows:

	2015		2014	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 45,873	$ -	$ 38,454	$ -
Cash dividends	330,140	2.0	330,140	2.0
Total	$ 376,013		$ 368,594	

The abovementioned distribution of earnings for the years of 2015 and 2014 were in agreement with those amounts proposed by the Board of Directors on February 22, 2016 and February 24, 2015, respectively.

Information about the earnings distribution of 2015 and 2014 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 2016 earnings appropriation proposed by the Board of Directors on February 20, 2017 are as follows:

	2016	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 51,515	$ -
Cash dividends	363,153	2.2
Total	$ 414,668	

Information about the earnings appropriation for 2016 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 2016 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(22).

(19) Operating revenue

	Years ended December 31, 2016	Years ended December 31, 2015
Construction revenue	$ 6,176,750	$ 7,148,457
Sales revenue	5,976,700	4,299,479
Other operating revenue	1,154,893	1,034,526
Total	$ 13,308,343	$ 12,482,462

(20) Other income

	Years ended December 31, 2016	Years ended December 31, 2015
Government grants revenue	$ 34,181	$ 12,486
Dividend income	14,624	9,169
Rental revenue	6,395	5,117
Interest income	1,749	503
Other income	44,879	58,517
Total	$ 101,828	$ 64,137

(21) Other gains and losses

	Years ended December 31, 2016	Years ended December 31, 2015
Net gain on financial assets at fair value through profit or loss	$ 1,328	$ 863
Gain (loss) on disposal of investments	7,894	(681)
Impairment loss on financial assets	-	(14,829)
Exchange (loss) gain	(14,066)	43,048
Other (losses) gains	(102)	269
Total	($ 4,946)	$ 28,670

(22) Employee benefit expense, depreciation and amortisation

A. Employee benefit expense, depreciation and amortisation

	Year ended December 31, 2016		
	Operating costs	Operating expenses	Total
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

	Year ended December 31, 2015		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 273,453	$ 480,597	$ 754,050
Compensation cost of employee stock options	-	2,419	2,419
Labour and health insurance fees	24,897	32,224	57,121
Pension costs	14,698	21,617	36,315
Other employee benefit expense	12,336	12,390	24,726
Depreciation	46,409	24,257	70,666
Amortisation	4,521	5,751	10,272

Note: As of December 31, 2016 and 2015, the Company had 740 and 732 employees, respectively.

B. Employees’ compensation and directors’ and supervisors’ remuneration

(a) According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, 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, 2016 and 2015, employees’ compensation and directors’ and supervisors’ remuneration are accrued as follows:

	Years ended December 31,	
	2016	2015
Employees' compensation	$ 75,452	$ 40,000
Directors' and supervisors' remuneration	7,545	6,197
Total	$ 82,997	$ 46,197

For the year ended December 31, 2016, employees' compensation and directors' remuneration were estimated and accrued based on 10% and 1% of distributable profit of current year as of the end of reporting period.

The employees' compensation and directors' and supervisors' remuneration of 2016 resolved by the Board of Directors on February 20, 2017 were $75,452 and $7,545, respectively, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2015 as resolved by the meeting of Board of Directors were in agreement with those amounts recognised in the 2015 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.

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2016	2015
Current tax		
Current tax on profits for the period	$ 151,553	$ 124,467
Additional 10% tax on unappropriated earnings	6,791	2,364
Prior year income tax underestimation	4,640	1,344
Total current tax	162,984	128,175
Deferred tax		
Origination and reversal of temporary differences	(6,609)	(13,382)
Income tax expense	$ 156,375	$ 114,793

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

	Years ended December 31,	
	2016	2015
Currency translation differences of foreign operations	$ 16,855	$ 6,574
Remeasurement of defined benefit obligations	2,716	3,031
Total	$ 19,571	$ 9,605

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2016	2015
Tax calculated based on profit before tax and statutory tax rate	$ 114,159	$ 97,498
Effect of items disallowed by tax regulation	30,785	13,587
Additional 10% tax on unappropriated earnings	6,791	2,364
Prior year income tax underestimation	4,640	1,344
Income tax expenses	$ 156,375	$ 114,793

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	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	108,037	3,170	2,716	113,923
—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	(30,644)	3,439	16,855	(10,350)
Total	$ 77,393	$ 6,609	$ 19,571	$ 103,573

	Year ended December 31, 2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Bad debt expense	$ 26,152	$ 1,462	$ -	$ 27,614
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	11,220	(850)	-	10,370
Defined benefit obligation	19,570	(401)	3,031	22,200
Impairment loss	7,820	(1,803)	-	6,017
Unused compensated absences payable	7,778	(1,689)	-	6,089
Unrealised loss on investments	28,569	7,178	-	35,747
Subtotal	101,109	3,897	3,031	108,037
－Deferred tax liabilities:				
Unrealised exchange gain	(2,937)	477	-	(2,460)
Unrealised construction gain	(12,996)	9,008	-	(3,988)
Exchange differences on translation	(30,770)	-	6,574	(24,196)
Subtotal	(46,703)	9,485	6,574	(30,644)
Total	$ 54,406	$ 13,382	$ 9,605	$ 77,393

D. The Company's income tax returns through 2014 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, 2016	December 31, 2015
Balance of the imputation tax credit account	$ 394,208	$ 352,687

The creditable tax rate is estimated to be 29.25% for 2016 and was 28.08% for 2015.

(24) Earnings per share

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit	$ 515,151	165,070	$ 3.12
Diluted earnings per share			
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	$ 517,676	175,356	$ 2.95

	Year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit	$ 458,724	165,070	$ 2.78
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,756	
Profit plus assumed conversion of all dilutive potential ordinary shares	$ 458,724	167,826	$ 2.73

(25) Operating leases

Details are provided in Note 9(1).

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Sales of goods and services

	Years ended December 31,	
	2016	2015
Sales of goods		
Subsidiaries	$ 39,775	$ 28,683
Entities controlled by key management or entities with significant influence	-	72,275
Total	$ 39,775	$ 100,958

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,	
	2016	2015
Purchases of goods		
Subsidiaries	$ 32,744	$ 19,569
Entities controlled by key management or entities with significant influence	3,660	19,766
Total	$ 36,404	$ 39,335

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,	
	2016	2015
Outsourcing construction costs		
Entities controlled by key management or entities with significant influence	$ 9,579	$ 24,446
Subsidiaries	6,326	71
Total	$ 15,905	$ 24,517

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, 2016	December 31, 2015
Subsidiaries	$ 11,084	$ 11,630
Entities controlled by key management or entities with significant influence	14	11,179
Subtotal	11,098	22,809
Less: allowance for bad debts	-	(335)
Total	$ 11,098	$ 22,474

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

	December 31, 2016	December 31, 2015
Subsidiaries	$ 14,053	$ 4,331
Entities controlled by key management or entities with significant influence	10,253	15,810
Total	$ 24,306	$ 20,141

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. Construction contracts receivable

Advanced construction receipts

	December 31, 2016	December 31, 2015
Associates	$ 10,316	$ 9,396
Subsidiaries	4,232	6,724
Total	$ 14,548	$ 16,120

F. Property transactions

In 2016 and 2015, the Company has acquired computer equipment and related software from entities controlled by key management and the acquisition price was $20,532 and $15,816 (recorded as 'property, plant and equipment' and 'intangible assets'), respectively.

G. Operating expense

The fee of information maintenance service in 2016 and 2015 allocated to subsidiaries by the Company amounted to $31,190 and $32,659, respectively.

H. Financing

Financing to related parties in 2016 is as follows (2015: None):

	Year ended December 31, 2016			
	Maximum balance	Ending balance	Interest rate	Interest income
Subsidiaries	$ 59,663	$ 59,663	4.616%~4.756%	$ 1,289

I. Endorsements and guarantees

(a) As of December 31, 2016 and 2015, the balances of endorsements and guarantees provided to subsidiaries by the Company are as follows:

	December 31,	
	2016	2015
Subsidiaries	$ 2,419,559	$ 1,995,077

(b) The revenue (recorded as 'other receivables' and 'other income') recognised from the abovementioned endorsements and guarantees are as follows:

	Years ended December 31,			
	2016		2015	
	Other receivables	Other income	Other receivables	Other income
Subsidiaries	$ 13,404	$ 29,046	$ 9,876	$ 21,400

(2) Key management compensation

	Years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	$ 57,020	$ 51,132

8. PLEDGED ASSETS

Details of the book value of the Company's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2016	December 31, 2015	Purpose
Other financial assets (recorded as 'other current assets')	$ 13,264	$ 18,195	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 $77,379 and $64,856 for these leases in profit or loss for the years ended December 31, 2016 and 2015, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 31,158	$ 26,791
Later than one year but not later than five years	62,787	49,651
Later than five years	35,802	27,880
Total	$ 129,747	$ 104,322

(2) As of December 31, 2016, the notes and letters of guarantee used for construction performance and custom security amounted to $1,183,537.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(18) E(b).

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 (including related parties), accounts payable (including related parties), construction contracts payable (including related parties), other payables 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 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 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 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, 2016					
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
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	-
Investments accounted for using equity method						
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	-
Financial liabilities						
Monetary items						
USD：NTD	$ 4,062	32.25	$ 130,986	1%	$ 1,310	$ -
JPY：NTD	172,750	0.2756	47,610	1%	476	-

	December 31, 2015					
				Sensitivity analysis		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD：NTD	$ 29,918	32.825	$ 982,063	1%	$ 9,821	$ -
EUR：NTD	3,836	35.88	137,640	1%	1,376	-
JPY：NTD	213,944	0.2727	58,343	1%	583	-
Investments accounted for using equity method						
USD:NTD	42,701	32.825	1,401,670	1%	14,017	-
VND:NTD	40,298,867	0.0014	56,821	1%	568	-
MMK:NTD	2,115,812	0.0251	53,107	1%	531	-
Financial liabilities						
Monetary items						
USD：NTD	$ 3,990	32.825	$ 130,972	1%	$ 1,310	$ -
JPY：NTD	172,377	0.2727	47,007	1%	470	-

- 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, 2016		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD：NTD	$ -	32.25	$ 22,940
JPY：NTD	-	0.2756	(3,422)
Financial liabilities			
Monetary items			
JPY：NTD	$ -	0.2756	$ 2,434

	Year ended December 31, 2015		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD：NTD	$ -	32.825	$ 13,559
EUR：NTD	-	35.88	2,575
Financial liabilities			
Monetary items			
USD：NTD	$ -	32.825	($ 692)

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, 2016 and 2015 would have increased/decreased by $76 and $76. Other financial assets that have been deducted from reconciling items in stockholders' equity and recognized as profit/loss for the years ended in 2016 and 2015 are $885 and $0, stockholders' equity for the years ended December 31, 2016 and 2015 would have increased/decreased by $344 and $0, 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 2016 and 2015 are $29,408 and $0, 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, 2016 and 2015 would have increased/decreased by $4,565 and $4,067, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. 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 Loaning 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.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. 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:

	December 31, 2016	December 31, 2015
Up to 90 days	$ 1,082,270	$ 653,110

iv. Movement analysis of notes and accounts receivable (including related parties) that were impaired is as follows:

a. As of December 31, 2016 and 2015, the Company's notes and accounts receivable that were impaired amounted to $1,810,778 and $1,502,706, and allowance for bad debts was accrued as $211,513 and $184,438, respectively.

b. Movements on the Company's provision for impairment of accounts receivable are as follows:

	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	$ 131,931	$ 79,582	$ 211,513

	Year ended December 31, 2015		
	Individual provision	Group provision	Total
At January 1	$ 100,547	$ 71,256	$ 171,803
Provision of impairment during the period	-	36,226	36,226
Write-offs during the period	(23,591)	-	(23,591)
Transfer during the period	20,175	(20,175)	-
At December 31	$ 97,131	$ 87,307	$ 184,438

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

	December 31, 2016	December 31, 2015
Type A	$ -	$ -
Type B	74,810	6,702
Type C	34,351	57,958
	$ 109,161	$ 64,660

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

December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
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	-
Financial guarantee contract	1,782,705	-	-	-

December 31, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 490,000	$ -	$ -	$ -
Notes payable	806,991	-	-	-
Accounts payable (including related parties)	1,705,288	-	-	-
Other payables	301,666	-	-	-
Financial guarantee contract	1,517,629	-	-	-

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, 2016 and 2015 is as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
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	63,853	-	-	63,853
Total	$ 71,100	$ -	$ 50	$ 71,150

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 5,719	$ -	$ -	$ 5,719

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 year ended December 31, 2016:

	December 31, 2016
Beginning balance	$ -
Additions	250
Gain and losses recognised in profit or loss	(200)
Ending balance	$ 50

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, 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, 2016							
			Recognised in profit or loss				Recognised in other comprehensive income			
	Input	Change	Favorable change		Unfavorable change		Favorable change		Unfavorable 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.