Stock Code：6196

Taiwan Stock Exchange Market Observation Post System：
http://mops.twse.com.tw
MIC annual report is available at：
http://www.micb2b.com

Marketech International Corp.

2015 Annual Report

Printed on April 30, 2016

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：**

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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

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：**

Name：Lin,Chun-Yao and Chang, Shu-Chiung at PWC
Address：27F, 333 Keelung Rd., Sec.1 Taipei, 11012,Taiwan, 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**

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Part 1. Letter to Shareholders

1. Preface

Dear Shareholders,

In 2015, MIC has broken its record with a beautiful revenue of NT$18 billion. Baptized by the industry on circulation and disciplined by the market ruthlessly, we are encouraged by every employee's efforts and every investor's affirmation to keep on walking.

Started from 2002, MIC's operation strategy was heading towards a multiple development. "The Professional Technology Service Provider" was the primary value of MIC. From professional high-tech agency and sales services to factory affairs and public construction, the company has extended its map from IT to non-IT business. In 2015, the Company's revenue generated from non-IT business counted 12% of the company's entire revenue, which was NT$2.1 billion. It is estimated that the proportion of non-IT business will be increased to 20% in 2020, guiding the company towards multivariant operations and strategy while ensuring stable profitability.

In 2016, MIC's business is heading towards mainly on three directions that include important trends such as smart city, IoT, industry 4.0, big data and so on. The Company aims to enhance the capability of MIC's four principal businesses and to enlarge its customer base.

- Smart City: Built on the concept of smart technology, smart city aims to create a convenient, comfortable, healthy and safe quality life for all citizens. With its experiences in factory affairs of integrated high-tech clean room over the last 27 years, MIC anticipates that it will become a provider of professional technology services. That is, having its professional design and construction capability in gas, chemical, water disposal, electricity and communication five major pipelines applied in sustainably developing infrastructure while building an IoT, big data and cloud technology based software platform. By integrating its capability in software and hardware, MIC aims to build a smart and beautiful city in the future for all human beings.
- IoT (Internet of Thing): The IoT concept that was firstly proposed in the beginning of 1990 is to connect everything with the internet through information sensing device such as radio frequency identification to realize intelligent identification and management. Over the years, MIC has been proactively promoted cloud technology and RFID technology of IoT. It also established the subsidiary eZoom Technology to get business opportunities of IoT.
- Industry 4.0: In current days, intelligent production is a big trend for industrial production. Since its launch of automated production in early days, MIC has already applied this concept in its production for many years. By adopting the cyber-physical system (CPS), MIC has integrated its production machines, factory management system, material supply, purchasing, financing (front-end system of ERP), warehouse systems and all types of production facilities. By doing so, these facilities are equipped with automatic information exchange function and are able to operate independently while controlling and connecting with each other. MIC provides not only optimized production in manufacturing, but also a solution for management.
- Big Data: MIC has participated in "A+ Industrial Innovation R&D Program" launched by the Ministry of Economic Affairs in 2014 and planned to establish the first PHM (Prognostic and Health Management) system developed by Taiwan. This management system collects data from operating facilities and, through analysis and classification, provides warnings in case of having facility failure. This is a big step for MIC in terms of the development of Big Data. This also provides our customers an even more efficient management system.

In 2015, MIC not only showed a growth in financing and technology, but also received the international certification SA8000 at the end of 2015 after a year of efforts. SA800 is the world's first international standard of moral norms and new standard of social responsibility. Through layers of strict reviews, MIC has eventually received SA8000 certification. It not only shows that MIC is a platform that provides shareholders to receive stably profitability, but also its ability to provide employees a peaceful working environment and upstream and downstream companies a commercial environment with quality fare trade. We have made our biggest efforts to build a good supply chain management and to proactively reduce our purchasing cost to reach the expectations of our shareholders.

Sincerely yours,

Margaret Kao

Chairman & CEO

2. Business Report

2.1 The operating results of 2015

2.1.1 Operating results

The Company’s consolidated revenue for 2015 totaled NT$18,031,624thousand , an increase over NT$14,965,399 thousand for the year of 2014, Net income in 2015 amounted to NT$459,985 thousand, an increase over NT$384,519 thousand.

The Parent Company’s separate revenue of the parent company only for 2015 totaled NT$12,482,462 thousand, an increase over NT$10,432,963 thousand for the year of 2014. Net income in 2015 was NT$458,724 thousand, an increase over NT$384,545 thousand for the year of 2014.

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 Consolidated and Separate Financial Statements of 2014 and 2015arelisted as follows:

(1) Summary of the Consolidated Financial Information

Unit：NT$ thousands

Item	2014	2015	Variance ($)	Variance (%)
Operating Revenue	14,965,399	18,031,624	3,066,225	20.49
Gross Profit	1,759,065	2,014,602	255,537	14.53
Operating Income	504,299	574,436	70,137	13.91
Net Income	384,519	459,985	75,466	19.63
Earnings Per Share (in dollars)(Note 2)	2.33	2.78	0.45	19.31

Note 1：The above financial statements of 2014 and 2015 were audited by independent accountants.
Note 2：The Earning Per Share is calculated based on the weightd average number of ordinary shares outstanding.

(2) Summary of the Separate Financial Information

Unit：NT$ thousands

Item	2014	2015	Variance ($)	Variance (%)
Operating Revenue	10,432,963	12,482,462	2,049,499	19.64
Gross Profit	1,288,867	1,485,761	196,894	15.28
Operating Income	520,967	616,331	95,364	18.31
Net Income	384,545	458,724	74,179	19.29
Earnings Per Share (in dollars) (Note 2)	2.33	2.78	0.45	19.31

Note 1：The above financial statements of 2014 and 2015 were audited by independent accountants.
Note 2：The Earning Per Share is calculated based on the weightd average number of ordinary shares outstanding.

2.1.2 Budget Implementation

The continuous booming in IT industry in 2015 increased the market demand, of which benefits not only manufacturers in semiconductor, optoelectronics and other electronic industries, but also cross-strait manufacturers in terms of expanding their production capacity and MIC for having its 2015 consolidated and individual income and profit increased comparing with 2014.The Groups has reached its target this year and will continue to stabilize its growth and profit as the operational goals in the future.

2.1.3 Analysis of Receipts, Expenditures, and Profitability

Items			Consolidated Financial Information		Separate Financial Information	
			2014	2015	2014	2015
Financial Structure	Debts ratio(%)		62.81	62.56	52.43	52.26
	Ratio of long-term capital to property, plant and equipment (%)		310.94	325.88	388.38	410.30
Solvency	Current ratio(%)		135.43	136.04	130.26	129.52
	Quick ratio (%)		101.87	99.78	98.92	93.04
	Interest earned ratio (times)		16.47	16.15	158.04	71.28
Profitibility	Return on total assets (%)		3.75	4.15	4.61	5.02
	Return on sharehlders' equity (%)		9.04	10.40	9.05	10.38
	Ratio to paid-in capital (%)	Operating income	30.55	34.80	31.56	37.34
		Pre-tax income	28.36	35.52	28.16	34.74
	Profit ratio (%)		2.57	2.55	3.69	3.67
	Earnings per share (in NT dollars)(Note)		2.33	2.78	2.33	2.78

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

Items \ Year	Consolidated Financial Information		Separate Financial Information	
	2014	2015	2014	2015
Research and development expenses (A)	145,486	173,494	151,827	173,307
Operating revenue (B)	14,965,399	18,031,624	10,432,963	12,482,462
Ratio (A)/(B)(%)	0.97	0.96	1.46	1.39

(2) Developed technologies and products in 2015

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 2015 is shown below:

Year	R&D Performance	Industry
2015	Equipment Health Assessment and Management System	LED and semi-conductor industries
	Wafer-Level Sapphire Substrate Testing Equipment	LED Industry

2.2 Business Plan in 2016

2.2.1 Operating Strategies

(1) Go further in 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.
(4) Research and develop custom made equipment.
(5) Upgrade & extend service and maintenaince items.
(6) Expand and diversify business in non-IT industries.

2.2.2 Sales volume forecast and the basis thereof

According to Topology Research Institute (TRI), the output value of global semiconductor foundry is estimated to have a growth of 2.1% and the amount of three major semiconductor manufacturers' capital expenditure is estimated to have a growth of 5.4% comparing with 2016, where Intel has an increase of 30% to US$9.5 billion, TSMC has an increase of 17% to US$9.5 billion and Samsung has a decrease of 15% to US$11.5 billion. A report of IEK indicates that the output value of global monitor industry in 2016 is only about 3.3%. Besides, IMF has forecasted a better growth of the global economy in 2016, which is about 3.4% comparing with 3.1% in 2015. On the other hand, Directorate-General of Budget, Accounting and Statistics (DGBAS) also forecasted a growth of 1.47% for Taiwan's economic growth, showing a prosperous growth for the nation's overall economic development.

MIC has been outboxing its current business fields and expanding its business territories to Asia, also reach significant sales revenue and net profit in 2015. The global economy is getting better, of which will help MIC to reach better performance in 2016.

2.2.3 The Important Production and Sales Policies

(1) Integrate the company business units and build up core technologyas well as value.

(2) Provide customers in time service as well as solutionto increase competitiveness.

(3) Provide customers full line service through synergy of the company business units.

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.

Finally, thanks for your continuing support throughout the year. All employees of The Companywillcontinue to work hard with the aim of achieving higher returns for our shareholders.

Sincerely yours,

Chairman & CEO： Margaret Kao

President： Scott Lin

Accounting Director：Chung, Chi-Wen

Part 2. Company Profile

1. Date of Incorporation： December 27, 1988

2. Company History：

2.1 Company History

1988	Marketech International Corp. was established with paid-in capital of NT$ 5 million in December.
1989	Cooperated with US TPI Systems and introduced the hi-tech products as well as technologies in February.
1991	Increased paid-in capital of NT$ 5million.
1994	Increased paid-in capital of NT$ 10 million in June.
1995	Set up MIC's 1st semiconductor cleaning room in June.
1995	Increased paid-in capital of NT$ 9 million in March.
1997	Started 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 markets in December.
1998	Set up MIC's 2nd semiconductor cleaning room in January.
1998	Changed company organization and name to Marketech International Corp. Increased paid-in capital of NT$ 13 million and converted retained earnings of NT$ 13 million into paid-in capital in September.
2000	Divisions of Equipment & Material and Chemical Engineering received ISO 9002 certification in September.
2000	Increased paid-in capital of NT$ 31.47 million and converted retained earnings of NT$ 113.23 million into paid-in capital in October. Hsin Chu office was officially opened.
2000	MIC-TECH VENTURES ASIA PACIFIC INC. was established and in charge of investment projects in China in December.
2001	Increased paid-in capital of NT$ 18 millionin January.
2001	MARKET GO PROFITS LTD. was established and in charge of oversea investment projects in 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 established in July.
2001	Tao Yuan bonded warehouse was established and operated in August.
2001	Received ISO 9001 certification (modified version by year 2000) in September.
2001	Exclusive agent for selling semiconductor backend packaging detection equipment in Taiwan was licensed in October. Kaohsiung representative office was established to provide customers in time service. Tainan bonded warehouse was established to speed up material supply for production.
2001	Beijing branch of MIC-Tech (WuXi) Co., Ltd. was established in December.
2001	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 supervisor in 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 1st domestic unsecured convertible bond of NT$ 500 million in January.
2003	Started building Hu Kou factory in February. Fuzhou Jiwei System Integrated Co., Ltd. was established to expand the business in South China.
2003	Got approval to set up official office in Tainan Science Park in May.
2003	MIC-Tech Electronics Engineering Corp. was established in June.
2003	Executed retained earnings of NT$ 189.28175 million transferred to paid-in capital in August.
2003	Tainan Science Park branch office was established in August.
2003	Hu Kuo factory was official opened in September.
2003	Started building Shan Hua factory in October.
2003	Issued MIC's 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

2.2 Merger and acquisition (up to date)：

(1) 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,it and its subsidiary (Integrated Manufacturing & Services Co., Ltd.) have been included in the consolidated financial report since March 2015.

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

2.3 Invested entities (up to date)

Unit：NT$ thousands

Invested Entity	Main business activities	December 31, 2015			March 31, 2016		
		Initial investment Amount	Ownership	Book Value	Initial investment Amount	Ownership	Book Value
Market Go Profits Ltd.	Engaged in holding and reinvestment affairs	1,209,166	100.00%	1,310,110	1,209,166	100.00%	1,298,181
Marketech Integrated Pte. Ltd.	Engaged in automatic supply systems business in semiconductor industry	160,177	100.00%	18,792	160,177	100.00%	14,442
Headquarter International Ltd.	Engaged in holding and reinvestment affairs	42,475	100.00%	43,123	42,475	100.00%	42,264
Tiger United Finance Ltd.	Engaged in holding and reinvestment affairs	46,475	100.00%	41,743	46,475	100.00%	40,876
MIC-Tech Global Corp.	Engaged in international business	15,909	100.00%	5,686	15,909	100.00%	5,307
MIC-Tech Viet Nam Co., Ltd.	Engaged in selling lant equipments & supplies and providing, installation & maintenance service	39,345	100.00%	41,942	39,345	100.00%	39,299
Hoa Phong Marketech Co. Ltd.	Engaged in engineering contractingand maintenance service	29,922	100.00%	14,879	29,922	100.00%	13,179
Marketech Engineering Pte. Ltd.	Engaged in mechanical and electrical installation and engineering business	9,139	100.00%	6,404	10,129	100.00%	6,285
Marketech Integrated Manufacturing Company Limited	Design, production and assembly of automated production machine, equipment and component	62,000	100.00%	53,107	62,000	100.00%	54,602
eZoom Information ,Inc.	Engaged in development, sales and consultancy of MIS software & hardware	57,737	100.00%	25,270	57,537	100.00%	23,195
Glory Technology Service Inc.	Engaged in sales and installation of telecom equipment	20,000	40.00%	28,316	20,000	40.00%	28,257
Xuan Yang Technology Material Co., Limited	Precursor and relevant production and sales of advanced production (production of atomic layer deposition / ALD)	42,000	30.00%	41,274	42,000	30.30%	41,261
MIC Techno Co., Ltd.	Engaged in sales of panel equipment and material	2,000	20.00%	1,882	2,000	20.00%	1,878
True Victor International Limited	Engaged in holding and reinvestment affairs	800	38.57%	289	-	-	-
Marketech International Sdn. Bhd.	Engaged in engineering contracting and maintenance service	24,345	34.00%	20,770	49,416	51.12%	46,672

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

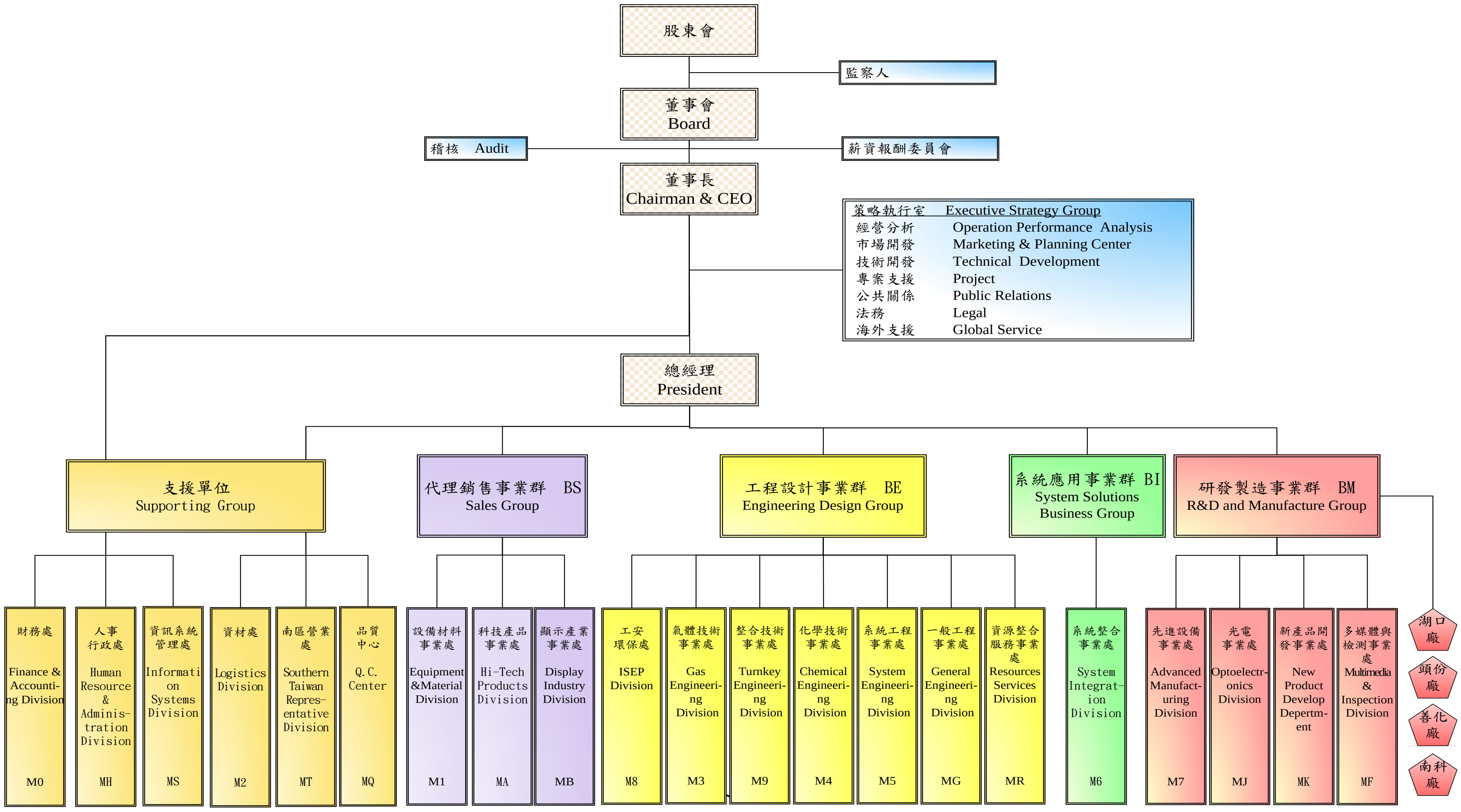
Note 2:True Victor International Limited, the Company's investee accounted for using equity method, has completed liquidation procedure in June 2015. However, the investment has not been remitted back as of December 31, 2015.

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)

April 2, 2016

Unit: NTD $ thousands; shares; %

Position (Note 1)	Nationality or registered origin	Name	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	2013/06/11	3	2001/10/22	19,005,795 *4,010,513	11.55% *2.44%	19,005,795 *4,010,513	11.51% *2.43%	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	2013/06/11	3	2007/6/15	19,005,795 *139,494	11.55% *0.08%	19,005,795 *139,494	11.51% *0.08%	0 *525,101	0.00% *0.32%	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 Yu-Yeh	2013/06/11	3	2001/10/22	12,647,112 *10,465,782	7.68% *6.36%	12,647,112 *10,327,782	7.66% *6.26%	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
Independent director	ROC	Wu Chung-Pao	2013/06/11	3	2009/6/19	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	Nil	Nil	Nil
Independent director	ROC	Lu Zong-Jenn	2013/06/11	3	2007/6/15	365,286	0.22%	365,286	0.22%	0	0.00%	0	0.00%	Chung Hsing University B.A. Chin Cho co president	Independent director, Marketech International Corp. Chairman, Kisso Co., Ltd.	Nil	Nil	Nil
Supervisor	ROC	Ma,Kuo-Peng	2013/06/11	3	2001/10/22	1,674,422	1.02%	1,674,422	1.01%	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
Supervisor	ROC	Hsiao, Ming-Chih	2013/06/11	3	2002/05/22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Dong Hai University school of accounting B.A. De An Development co vice president	Supervisor, Marketech International Corp. Chairman, Dyma Advance Technology Corp. Director ,Sopower technology Corp. Director, Taiwan Puritic Corp.	Nil	Nil	Nil
Supervisor	ROC	Cheng Jin-Chuan	2013/06/11	3	2001/10/22	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Dong Hai University school of Industrial Engineering B.A. Cheng Chi University business administration EMBA master study	Supervisor, Marketech International Corp. Vice president ,AAA Capital Management Co., Ltd.	Nil	Nil	Nil

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

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

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

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

2.1.2 Major shareholders as institutions shareholders

Table I: Major shareholders as institutional shareholders

April 2, 2016

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%), Gao Chi-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 Chang Investment Company	Sung Bing-zhong (94%), SungKao,Hsin-Ming (3%), Sung Feng-pei (3%)

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

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

Table II: Major shares of institutional investors as institutional shareholders

April 2, 2016

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

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

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

2.1.3 Information on the directors and supervisors (II)

April 2, 2016

Criteria / Name	Whether commanding five years or longer of working experience and the below professional qualifications: 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	State of independent conformance (Note 1): 1	2	3	4	5	6	7	8	9	10	also serving as other companies' independent directorship count
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
Lu ,Zong-Jenn	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wu ,Chung-Pao	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Ma ,Kuo-Peng	Nil	Nil	✓	✓	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	Nil
Hsieh Ming-Ju	Nil	Nil	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Cheng ,Jin-Chuann	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. ◦

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

April 2, 2016

Unit: NTD$ thousands; share; %

Title (Note 1)	Nation-ality	Name	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	1989/01/01	4,010,513	2.43%	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 Yu-Yeh	2004/07/01	10,327,782	6.26%	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	2010/02/01	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	2010/02/01	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	2010/02/01	0	0.00%	0	0.00%	0	0.00%	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	2010/04/01	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	2010/04/01	35,000	0.02%	0	0.00%	0	0.00%	Tamkang University school of applied physics B.A.	Nil	Nil	Nil	Nil
VP Finance	ROC	Hsieh Ming-ju	2009/07/01	451,459	0.27%	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
Director, Finance & Accounting Divison	ROC	Chung Chi-wen	2006/04/21	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
Audit	ROC	Lin Ya-qing	2000/09/13	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.

3. The remunerations dispensed to the Directors, Supervisors, President and Vice President during 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 2015

Unit: NTD $ thousands; 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		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 11)		Whether collecting remunerations from reinvested entities beyond the subsidiaries (Note 12)
		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)				Share count acquired through employee share pledging certificate (H) (Note 7)		New share count acquired through restricted employee entitlements (I) (Note 13)				
																The company		All companies in the financial statements (Note 8)								
		The company	All companies in the financial statements (Note 8)	The company	All companies in the financial statements (Note 8)	The company	All companies in the financial statements (Note 8)	The company	All companies in the financial statements (Note 8)	The company	All companies in the financial statements (Note 8)	The company	All companies in the financial statements (Note 8)	The company	All companies in the financial statements (Note 8)	Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount	The company	All companies in the financial statements (Note 8)	The company	All companies in the financial statements (Note 8)	The company	All companies in the financial statements (Note 8)	
Chairman and CEO and subsidiary president	Ji Shuan Investment co representative: Sung Kao, Hsin-Ming	0	0	0	0	3,873	3,873	300	300	0.91%	0.91%	16,215	18,082	166	166	0	0	0	0	0	0	0	0	4.48%	4.87%	None
Director	Ji Shuan Investment co representative: Chuang, Yen-Shan																									
Chairman President	Yi Wei Investment co representative: Lin, Yue-Yeh																									
Independent director	Wu, Chung-Pao																									
Independent director	Lu, Zong-Jenn																									

Remunerations Scale Table

Year 2015

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 9)	All companies stated in the financial statements (Note 10) (I)	The company (Note 9)	All companies stated in the financial statements (Note 10) (J)
Up to $2,000,000	Sung Kao, Hsin-Ming, Chuang, Yen-Shan, Lin, Yue-Yeh, Lu, Zong-Jenn, Wu, Chung-Pao	Sung Kao, Hsin-Ming, Chuang, Yen-Shan, Lin, Yue-Yeh, Lu, Zong-Jenn, Wu, Chung-Pao	Chuang, Yen-Shan, Lu, Zong-Jenn, Wu, Chung-Pao	Chuang, Yen-Shan, Lu, Zong-Jenn, Wu, Chung-Pao
$2,000,000 (inclusive) ~ $5,000,000 (preclusive)	Nil	Nil	Nil	Nil
$5,000,000 (inclusive) ~ $10,000,000 (preclusive)	Nil	Nil	SunKao Xin-ming, Lin Yu-yeh	SungKao Xin-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	5	5	5	5

* 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 Gao Xin-ming is allocated with one leased company vehicle, which carries a monthly lease at NT$72,857 spanning from Jan. 1, 2015 to Dec. 31, 2015; President Lin Yu-Yeh is allocated with one leased company vehicle, which carries a monthly lease at NT$36,667 from Jan. 1, 2015 to Nov. 18, 2015 and at NT$31,905 from Nov. 17, 2015 to Dec. 31 2015

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: Note 7: Which refers to directors on the annual report who employs as employee (including president, vice president, other manager and employees) and who may subscribe stocks with their employee stock option (excluding the executed portion) shall not only fill out the form, but also the attached form No. 15.

Note 8: The total sum of various remunerations dispensed to company directors by all companies (including the company) stated in the consolidated financial statements.

Note 9: 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 10: 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 11: 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 2015 consolidated financial statement is NT$458,724 thousands.

Note 12: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.

Note 13: which refers to the new share count the director acts as an employee (including doubling as the president, vice president, other managers or employee) has acquired with restricted employee entitlements as of the annual reporting [publication date, which requires to enter not only the table, and shall also fill out the attached table 15~1.

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 2015

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)	
supervisor	Ma, Kuo-Peng	0	0	2,324	2,324	132	132	0.54%	0.53%	None
supervisor	Hsiao, Ming-Chih									
supervisor	Cheng, Jin-Chuan									

Remunerations Scale Table

Year 2015

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 2015 individual financial statements' after-tax net return is at NT$458,724,000.

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.

3.3 The remunerations of the president and the vice presidents

Year 2015
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 5)		New share count of restricted employee entitlements acquired (Note 11)		Whether collecting remuneration from reinvested entities beyond the subsidiaries (Note 10)
		The company	All companies in the financial statements (Note 6)	The company	All companies in the financial statements (Note 6)	The company	All companies in the financial statements (Note 6)	The company: Cash bonus amount	The company: Stock bonus amount	All companies in the financial statements (Note 6): Cash bonus amount	All companies in the financial statements (Note 6): Stock bonus amount	The company	All companies in the financial statements (Note 6)	The company	All companies in the financial statements (Note 6)	The company	All companies in the financial statements (Note 6)	
Chairman doubling as CEO, also as subsidiary president	Sung Kao, Hsin-Ming	40,168	43,453	927	927	3,408	3,408	0	0	0	0	9.70%	10.39%	0	0	0	0	None
Director doubling as president	Lin, Yu-Yeh																	
VP	Huang Zhong-Wen																	
VP	Chang Ruei-Ru																	
VP	Chen Dian-Ting																	
VP	Wei Jian-Ming																	
VP	Chen Jian-Tsuen																	
VP	Hsieh Ming-Ju																	

Remuneration Scale Table

Year 2015

The remunerations dispensed to each individual company president and vice presidents	Name of the president and vice presidents	
	The company (Note 7)	All companies stated in the financial statements (Note 8) (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, Chen Jian-tsuen, Hsieh Ming-ju	Huang Zhong-wen, Chang Ruei-ru, Chen Dian-ting, Chen Jian-tsuen, Hsieh Ming-ju
$5,000,000 (inclusive) ~ $10,000,000 (preclusive)	Sung Kao, Hsin-Ming, Lin, Yue-Yeh, Wei Jian-ming	Sung Kao, Hsin-Ming, Lin, Yue-Yeh, Wei Jian-ming
$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 Gao Xin-ming is allocated with one leased company vehicle, which carries a monthly lease at NT$72,857 spanning from Jan. 1, 2015 to Dec. 31, 2015; President Lin Yu-Yeh is allocated with one leased company vehicle, which carries a monthly lease at NT$36,667 from Jan. 1, 2015 to Nov. 18, 2015 and at NT$31,905 from Nov. 17, 2015 to Dec. 31 2015; 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$174,858 from Jan. 1, 2015 to Dec. 31, 2014.

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: Which pertains to the share pledging count (excluding the executed portion) by the president and the vice presidents with employee share pledging certificates obtains as of the annual report publication date, which is required to enter the table, and also to fill out attached table 15.

Note 6: 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 7: 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 8: 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 9: 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 2015 individual financial statements' after-tax net return is at NT$458,724 .

Note 10: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 11: which refers to the new share count the director acts as an employee (including doubling as the president, vice president, other managers or employee) has acquired with restricted employee entitlements as of the annual reporting [publication date, which requires to enter not only the table, and shall also fill out the attached table 15~1. ◦

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

Year 2015
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	0	0	0
	President	Lin, Yu-Yeh				
	Vice president	Huang Zhong-Wen				
	Vice president	Chang Ruei-Ru				
	Vice president	Chen Dian-Ting				
	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.

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 2014		Year 2015			
	The company	Consolidated statements on all companies	The company	Consolidated statements on all companies	The company	Consolidated statements on all companies
Directors	4.87%	5.34%	4.48%	4.87%	(0.39%)	(0.47%)
Supervisors	0.38%	0.38%	0.54%	0.53%	0.16%	0.15%
President and vice presidents	11.27%	12.10%	9.70%	10.39%	(1.57%)	(1.71%)

According to the Company's and consolidated financial statements in 2015, the percentage of the total remuneration paid to all companies' directors, supervisors, presidents and vice presidents in after-tax return has reduced comparing with 2014. The main reason is that the company's after-tax return has increased in 2015, 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 (2015). The directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairman	Ji Shuan Investment Co. Representative: Sung Kao, Hsin-Ming	11	0	100%	Re-elected on June 11, 2013
Director	Ji Shuan Investment Co. Representative: Chuang, Yen-Shan	6	4	55%	Re-elected on June 11, 2013
Director	Yi Wei Investment Co. Representative: Lin, Yue-Yeh	10	1	91%	Re-elected on June 11, 2013
Independent Director	Wu, Chung-Pao	11	0	100%	Re-elected on June 11, 2013
Independent Director	Lu, Zong-Jenn	10	1	91%	Re-elected on June 11, 2013

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" and "Adjustment on Food Allowance" held by the Board of Directors on the 23rd of January 2015, as two directors – Miss Kao Hsin-Ming and Mr. Lin Yu-Yeh – are also managers of the Company, they did not join the voting to avoid conflict of interest. All of other directors have joined the meeting and passed the said proposals.
   (2.2) Regarding the discussion of Compensation Committee's proposal for "Adjustment on Managers' Wages" held by the Board of Directors on the 29th of June 2015, 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.
   (2.3) Regarding the discussion of Compensation Committee's proposal for "Mid-Term Bonus Distribution of 2015" held by the Board of Directors on the 17th of September 2015, 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.

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: Not applicable.

4.2.2. Attendance of Supervisors for Board Meeting

A total of 11 meetings of the board of directors were held in the previous year (2015). 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	11	100%	Re-elected on June 11, 2013
Supervis r	Cheng, Jin-Chuan	11	100%	Elected on June 11, 2013
Supervisor	Hsiao, Ming-Chih	11	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.

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	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	None

(2) The establishment of other functional committees beside of Compensation Committee and Audit Committee (3) Board Performance Evaluation and Director Appraisal (4) Regular evaluation of external auditors' independence	V V V		management that fulfills our operation needs. (2) Beside Compensation Committee, the Company has not established other functional committees. However, the charter has been revised at the 2015 Shareholders' Meeting to add and establish Audit Committee. The Company will, at the 2016 Shareholders' Meeting, pass the Audit Committee for Post-Reelection of Board of Directors (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 of external auditors, examining whether they are directors, supervisors, shareholders of the Company. External auditors should avoid conflicts of interest, and its rotation should follow relevant rules.	
4. 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
5. 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
6. 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.,	 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	None

maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)			Finance & Accounting Division to handle information collection and disclosure and has appointed a spokesperson.	
7. 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 purchasing insurance for directors):	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. (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	None

			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.	
8. If the company has a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows: (note 2)	V		(1) The Company occasionally examines and evaluates its corporate governance status and performs self corporate governance at least once a year. For the year 2015 the Company issued a self corporate governance evaluation report and presented to board of directors. The Company may authorize other professional organization to conduct an evaluation in the future as needed. (2) The Company has revised the Articles of Incorporation at the 2015 Shareholders' Meeting, including: the adopting of candidate nominating system for election of directors, number of directors, installation of audit committee according to laws and so on. All of these changes were made to improve the Company's governance system, to perfect its supervising function and to enhance its management function.	None

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, 2016

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.

Note 3: If the person has the position of director, state if conforming to Article 6-5 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(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 term of current committee: From June 20, 2013 to June 10, 2016. In 2015, Compensation Committee held 3meetings(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 20, 2013
Member	LU, ZONG-JENN	3	0	100%	Elected on March 19, 2014
Member	CHAO, RONG-SHIANG	3	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.

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 (1) Corporate social responsibility policy and performance evaluation (2) Regular training and promotion of corporate ethics (3) Dedicated organization for the promotion and execution of corporate social responsibility (4) Integration of corporate social responsibility with the employee performance appraisal system	V V V 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) 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) 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) 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	None

Item	Implementation Status			Deviation from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary	
			component stocks of “Taiwan High Compensation 100 Index”, reflecting the fulfillment of corporate social responsibility and profitability.	
2. Sustainable Environment Development (1) Commitment to improving resources utilization and the use of renewable materials (2) Environmental management system designed to industry characteristics (3) Company strategy for climate change, energy conservation and greenhouse gas reduction	V V 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) 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) To minimize the impact of operations on the environment, the Company has adopted a series of practices, such as LED lighting adoption, chillers adjustment, chilled water pumps replacement, etc.. In the meantime, it has promoted carbon reduction and greenhouse gas inspection to continuously monitor power consumption facilities to reduce impacts caused by its operations to the natural environment. 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	None

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
			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 (2) Mechanism and channels of employee appeals (3) Safety and health in working environment, and the condition for providing periodical safety and health training to employees (4) Mechanism of periodical communication with employees, and reasonable notice measures regarding significant operational changes which might cause significant impacts to employees (5) Effective capabilities development program for employees	V V V V V V		(1) The Company strictly complies with government laws and regulations. The process of recruitment is open and fair. The rights of handicapped and aboriginal employees are under well protection. (2) 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) 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) 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.	None

Item	Implementation Status			Deviation from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reason(s)
	Yes	No	Summary	
(6) Consumer rights policy and consumer complaints processing procedure (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		(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) The Company has established “After-Sales Services Procedure,” “Customer Satisfaction Procedure,” “Returned Goods and Customer Complaints Procedure,” and “Prevention and Correction Procedure.” When a customer complaint is filed, the responsible department follows relevant procedures and takes appropriate actions. The Company strictly complies with contracts signed with customers and dedicates to build up mutual communication mechanism with customers. (7) 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	V		The Company has disclosed relevant information on the official	None

Item	Implementation Status			Deviation from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
Disclosure (1) Disclosure of corporate social responsibility related information with significance and reliability			website and published on the Market Observation Post System in accordance with regulations.	
5. If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice", please describe the operational status and differences: The Company has followed corporate governance related operations to set and implement "Listed Companies Corporate Social Responsibility Code of Practice".				
6. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: The information of the Company's implementation of corporate social responsibility has been disclosed in "Corporate Social Responsibility Report" published on the official website.				
7. Other information regarding "Corporate Social Responsibility Report" which is verified by certification bodies: None				

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

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

4.6 Implementation of Corporate Conduct and Ethics

Item	Implementation Status			Deviation from "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) The company's guidelines on corporate conduct and ethics are provided in internal policies and disclosed publicly. The Board of Directors and the management team demonstrate their commitments to implement the policies. (2) The company establishes relevant policies for preventing any unethical conduct. The	V V		(1) "Integrity, Careness, Profession, Innovation, Dedication and Cooperation" is the Company's most important core value. The Company has established the Code of "Ethics and Business Conduct" and is committed to acting ethically in all aspects of our business. For conflicts of interest avoidance, directors must recuse themselves from discussion and voting on issues in which they have a direct personal or pecuniary interest. (2) The Company has established the Code of "Ethics and Business Conduct" and formed the corporate culture based on integrity. The prevention of unethical conduct and its penalty are clearly stated in the Company's service	None

Item	Implementation Status			Deviation from "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
implementation of the relevant procedures, guidelines, disciplines and appealing mechanism are provided in the policies.			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 establishes appropriate measures for preventing bribery and illegal political contribution for higher potential unethical conduct in the relevant policies.	V		(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				None
(1) The company shall prevent doing business with whomever has unethical records and include business conduct and ethics related clauses in the business contracts.	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 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.	V		(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 and supervisors at Board of Director Meeting.	
(3) The company establishes policies to prevent conflicts of interest and provides appropriate communication and complaint channels.	V		(3) Directors must rescue themselves from discussion and voting on issues in which they have a direct personal or pecuniary interest.	
(4) The company establishes effective accounting and internal control systems for the implementation of policies, and the internal auditors audit such execution and compliance.	V		(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) Internal and external training programs on corporate conduct and ethics	V		(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.	

Item	Implementation Status			Deviation from "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
3. Operational Status of Reporting Mechanism (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			(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.	None
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			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				

Item	Implementation Status			Deviation from "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM Listed Companies" and reason(s)
	Yes	No	Summary	
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 22th, 2016

Based on the results of examination from the 2015 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 2015 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 22th, 2016 with the presence of five 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, Yu-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
May 28, 2015	1. Ratified 2014 Business Report and Financial Statements. Implementation status: Per resolution adopted. 2. Ratified 2014 Profits Distribution. Implementation status: Per resolution adopted. Cash dividends were distributed on August 14, 2015. 3. Approved amendments to the Company's "Articles of Incorporation". Implementation status: Per resolution adopted. All relevant issues were executed in accordance with the amended Articles. 4. Approved amendments to the Company's Procedures for Endorsement & Guarantee Implementation status: Per resolution adopted. All relevant issues were executed in accordance with the amended Procedures.

4.11.2. Important Resolutions at Board of Directors' Meeting

Date	Resolutions
Jan. 23, 2015	1.Approved the resolution of Compensation Committee on 2014 manager performance bonus appointment. 2. Approved the adjusting on meal subsidy. 3. Approved the purchase on the shares of Taicang Jianrui Photoelectric Technology Co. Ltd. 4. Approved the SGD investment on Marketech International Sdn Bhd. for 1,000,000 dollars. 5. Approved the disposition on the shares of True Victor International Limited. 6. Approved the investment on Advancing Antenna Technology. 7. Approved bank credit guarantee to the Company' s subsidiary MIC-TECH Electronics Engineering Corp.
Feb. 3, 2015	1. Approved rescission of bank credit guarantee to the Company' s subsidiary MIC-TECH Electronics Engineering Corp 2. Approved bank credit guarantee to the Company' s subsidiary MIC-TECH Electronics Engineering Corp. 3. Approved the investment on MIC-Tech Global Corp for 82,225 US dollars.
Feb. 24, 2015	1. Approved 2014 Individual and Consolidate Financial Report. 2. Approved the 2014 Profit Appointment. 3. Approved 2014 Operation Report. 4.Approved amendmentsto the Company's Articles of Incorporation. 5. Approved the amendment of Corporate Endorsement Procedure. 6. Approved the date, place and the cause of 2015 Shareholders Annual Meeting. 7. Approved the 2014 Internal Management Statement. 8. Approved the Corporate Ethics Codes. 9. Approved 2015 Certified Accountant Independent Report.
Apr. 29, 2015	1.Approved rescission of bank credit guarantee to the Company' s subsidiary Marketech IntegratedPte Ltd. 2. Approved the bank credit of the Company. 3. Approved the Board of Directors Performance Appraisal Procedure. 4. Approved amendments to the shareholder structure of the Company's subsidiaryMarketech Integrated Manufacturing Company Limited.
May 12, 2015	1.Approved bank guarantee to the Company' s subsidiariesMIC-TECH (Shanghai) Corp. Ltd., MIC-TECH Electronics Engineering Corp. and Wu Xi Chi Hua Electronic Engineering Co. Ltd. for amount of financing. 2.Approved bank guarantee to the Company' s subsidiaries MIC-TECH Electronics Engineering Corp. and MIC-TECH (Shanghai) Corp. Ltd.

Date	Resolutions
	3. Approved amendments to the Company's Articles of Incorporation.
Jun. 29, 2015	1. Approved dividend entitlement record date for cash dividend. 2.Approved bank guarantee to the Company' s subsidiary MIC-Tech (WuXi) Co., Ltd. for amount of financing. 3.Xuan Yang Technology Material Co., Limited was established through our Company's investment. 4.Approved MIC CompensationCommittee's resolution to adjust managers' salary
Aug. 3, 2015	1.Approved amendments to the Company's 1st Regulations Governing Employee Stock Options of 2015. 2. Approved the release of the Company's 1st Regulations Governing Employee Stock Options of 2015. 3. Approved the Company's Articles of Incorporation. 4.Approved bank guarantee to the Company' s subsidiaries MIC-Tech ShangHai Corp. Ltd. and MIC-Tech Electronics Engineering Corp. for amount of financing. 5. Approves the proposal of selling shareholding of Calitech Co., Ltd.. 6. Approves the proposal of selling shareholding ofAres Green Technology Corporation 7. Approved the increase of investment to the Company's subsidiary Marketech International Sdn Bhd (US$ 1,500,000) 8. Approved the increase of investment provided by the Company and its subsidiaries Market Go Profits Ltd. and MIC-Tech Ventures Asia Pacific Inc. to the Company's subsidiary MIC-Tech Electronics Engineering Corp. (US$6,000,000). 9. Approved the Company's project performance bond guarantee to its subsidiaries MIC-Tech Electronics Engineering Corp. and MIC-Tech ShangHai Corp. Ltd.. 10. Approved amendments to the Company's bank credit guarantee to its subsidiaries MIC-Tech Electronics Engineering Corp. and MIC-Tech ShangHai Corp. Ltd..
Sep. 17, 2015	1. Approved application of signing corporate accounting agreement for the Company's new bank. 2. Approved the application of appointingMs. Kao Hsin-Ming the Company's legal person representative at Marketech International Sdn Bhd. 3. Approved the increase of investment provided by the Company to its subsidiary Marketech Integrated Manufacturing Company Limited (US$6,000,000) 4. Approved the application for Company's bank loan credit. 5. Approved MIC CompensationCommittee'sresolution for 2014 Directors and Supervisors' Remuneration and 2015 Managers' Mid-Term Bonus Distribution.
Nov. 2, 2015	1. Approved the price and number of shares for the sales of shareholdings of Calitech Co., Ltd. 2. Approved the Company and its subsidiaries'proposals for enhancing self-compiled financial statements and report of implementation status.
Nov. 30, 2015	1.Approved rescission of bank credit guarantee to the Company' s subsidiary MIC-Tech ShangHai Corp. Ltd.. 2.Approved bank credit guarantee to the Company' s subsidiaries MIC-Tech ShangHai Corp. Ltd. and MIC-Tech Electronics Engineering Corp.. 3.Approved bank credit guarantee to the Company' s subsidiary MIC-Tech Electronics Engineering Corp..
Dec. 29, 2015	1. Approved the Company's 2016 Audit Plan 2. Approved amendments to the Company's internal control system. 3.Approved the Company's drafted "Operating Procedures for Application, Suspension and Restorationof Transactions" 4.Approved bank credit guarantee to the Company' s subsidiariesMIC-Tech (WuXi) Co., Ltd., Marketech Integrated Pte Ltd., MIC-Tech ShangHai Corp. Ltd. and MIC-Tech Electronics Engineering Corp.
Feb. 1, 2016	1. Approved MIC Compensation Committee's resolution for 2015 Distribution of Year-end Bonus and Performance Bonus for Managers 2.Approved bank credit guarantee to the Company' s subsidiaries MIC-Tech ShangHai Corp. Ltd. and MIC-Tech Electronics Engineering Corp.. 3.Approved amendments to the Company's internal control system.
Feb. 22, 2016	1. Approved the Company's 2015 Individual Entity Financial Statement and Consolidated Financial Statement. 2. Approved the Company's 2015Business Report 3. Approved the Company's Articles of Incorporation. 4. Approved amendments to the Company's "Rules and Procedures of Board of Directors Meetings" 5. Approved the Company's 2015Distribution of Remuneration for Employees, Directors and

Date	Resolutions
	Supervisors. 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 List of Nominations for Directors and Independent Directors 10. Approved revocation of the Company’s Prohibition of Non-Competition 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’ Meeting 13. Approved the 2016 independent review of the Company’s certified accountants and their belonging joint CPA.
Mar. 24, 2016	1. Approved the Company’s Articles of Incorporation. 2. Approved the Company’s List of Supplementary Nominations for Independent Directors. 3. Approved the Company’s lending of capital to its subsidiary Marketech International Sdn. Bhd..
Apr. 15, 2016	1. Approved the review of 2016 List of Nominations for Directors and Independent Directors 2. Approved the application of establishing Central Taiwan Representative Division for business demand.

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	100	100
2	2,000 (included) ～4,000	0	0	0
3	4,000 (included)～6,000	5,970	0	5,970
4	6,000 (included)～8,000	0	0	0
5	8,000 (included)～10,000	0	0	0
6	Above 10,000 (included)	0	0	0

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

5.1 If the audit fee is above 1/4 in terms of the payment to the accountants, the firms that the accountants belong to and the non-audit fee of the affiliated companies, the audit fee and non-audit fee amount as well as the content of the non-audit service shall be disclosed:There is no such situation.

5.2 If there is a decrease of audit fee in comparison to the audit fee of the previous year or the changing of accounting firm, the audit fee amount and reason of the year and the previous year shall be disclosed:There is no such situation.

5.3 If the audit fee is less than more than 15 percent comparing to the one of the previous year, the reduced amount of the audit fee, the proportion and the reason shall be disclosed:There is no such situation.

6. Information on Replacement of Certified Public Accountant

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

6.1 About the previous accountant

<table>
<tr><td>Date of change</td><td colspan="4">March 7, 2014</td></tr>
<tr><td>Reason of the change and description</td><td colspan="4">Due to the structural organizational adjustment of PricewaterhouseCoopers Taiwan, the company certification accountant of 2014 is changed to Lin, Jun-yao and Zhang Shuqiong.</td></tr>
<tr><td rowspan="3">Description of the termination or non-appointment of the entrustee or accountant</td><td colspan="2">Party
Situation</td><td>Accountant</td><td>Appointed to</td></tr>
<tr><td colspan="2">Active termination of appointment</td><td colspan="2" rowspan="2">Not avaliable</td></tr>
<tr><td colspan="2">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="4">Not avaliable</td></tr>
<tr><td rowspan="6">Disagreement with the publisher</td><td rowspan="4">YES</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial report</td></tr>
<tr><td></td><td colspan="2">Audit scope or procedure</td></tr>
<tr><td></td><td colspan="2">Other</td></tr>
<tr><td>None</td><td colspan="3">V</td></tr>
<tr><td>Description</td><td colspan="3">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="4">None</td></tr>
</table>

6.2 About the successor-account

Firm name	PricewaterhouseCoopers Taiwan
Accountant name	Lin, Chun-Yao & Chang, Shu-Chiung
Appointment date	March 7, 2014
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	2015		Till March 31, 2016	
		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, Tsong-bao	0	0	0	0
Independent director	Xiao, Rong-cheng	0	0	0	0
Supervisor	Ma, Guo-peng	0	0	0	0
Supervisor	Xiao, Min-chih	0	0	0	0
Supervisor	Cheng, Chin-chuan	0	0	0	0
Chairman and Chief Executive Officer	Gao, Shin-ming	0	0	0	0
General Manager	Lin, Yu-yeh	0	0	0	0
Vice General Manager	Huang, Tsong-wen	0	0	0	0
Vice General Manager	Zhang, Ruei-Ru	(135,000)	0	(9,000)	0
Vice General Manager	Chen, Tian-ting	68,000	0	(70,588)	0
Vice General Manager	Wei, Chian-ming	0	0	0	0
Vice General Manager	Chen, Chian-tu	0	0	0	0
Vice General Manager and Financial Supervisor	Hsieh, Ming-chu	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.

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

April 2, 2016
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: Gao, Shin-ming	19,005,795 *4,010,513	11.51% *2.43%	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 *10,327,782	7.66% *6.26%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	None	None	None
Lin, Yu-yeh	10,327,782	6.26%	0	0.00%	0	0.00%	Yi Wei Investment Company	Person in charge of the company	None
Lin, Yu-Yiao	4,640,515	2.81%	0	0.00%	0	0.00%	Lin, Yu-yeh	Brothers	None
Gao, Shin-ming	4,010,513	2.43%	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, Ping-tsong	2,798,955 *1,461,349	1.70% *0.89%	0 *0	0.00% *0.00%	0 *0	0.00% *0.00%	Gao, Shin-ming	Mother-and-son relationship	None
Huang, Shi-fong	2,400,000	1.45%	0	0.00%	0	0.00%	None	None	None
Ya Tai Investment Company	2,318,910	1.40%	0	0.00%	0	0.00%	None	None	None
Chen Lien-Tzu	2,090,825	1.27%	0	0.00%	0	0.00%	None	None	None
Liu, Ying-Da	1,674,422	1.01%	0	0.00%	0	0.00%	None	None	None

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

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

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

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

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

December 31, 2015
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.	37,069,104	100.00%	0	0.00%	37,069,104	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.	109,336	100.00%	0	0.00%	109,336	100.00%
MIC-Tech Viet Nam Co., Ltd.	0	100.00%	0	0.00%	0	100.00%

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
Hoa Phong Marketech Co., Ltd.	0	100.00%	0	0.00%	0	100.00%
Hoa Phong Marketech Co., Ltd.	379,597	100.00%	0	0.00%	379,597	100.00%
Marketech Integrated Maufacturing Company Limited	2,000,000	100.00%	0	0.00%	2,000,000	100.00%
eZoom Information, Inc.	6,200,000	100.00%	0	0.00%	6,200,000	100.00%
Glory Technology Service Inc.	2,000,000	40.00%	0	0.00%	2,000,000	40.00%
Xuan Yang Technology Material Limited	4,200,000	30.00%	0	0.00%	4,200,000	30.00%
MIC Techno Co., Ltd.	200,000	20.00%	150,000	15.00%	350,000	35.00%
True Victor International Limited(Note 3)	19,286	38.57%	0	0.00%	19,286	38.57%
Marketech International Sdn. Bhd.	3,078,750	34.00%	5,984,000	66.00%	9,062,750	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%
TPP-MIC (Wuxi) Co., Ltd.	0	0.00%	0	100.00%	0	100.00%
Chi Chuan Technology Co. Ltd.	0	0.00%	180,000	60.00%	180,000	60.00%
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%
Integrated Manufacturing & Services Co., Ltd.	0	0.00%	0	100.00%	0	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.

Note 3:The invested company True Victor International Limited, which was assessed with equity method, completed the liquidation procedure in June of 2015. However, the invested amount was still not yet been returned on December 31, 2015

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:

April 2, 2016
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., 2013	10	250,000,000	2,500,000,000	164,610,756	1,646,107,560	shares changed from the equity for employee's dividends:330,000	N/A	Note 1
Jan., 2014	10	250,000,000	2,500,000,000	165,056,756	1,650,567,560	shares changed from the equity for employee's dividends:4,460,000	N/A	Note 2
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 3

Note 1: Jin-Sho-Shang-Zi No. 10201070040 letter issued on April 18, 2013
Note 2: Jin-Sho-Shang-Zi No. 10301006150 letter issued on Jan. 14, 2014
Note 3: Jin-Sho-Shang-Zi No. 10301068080 letter issued on April 17, 2014

April 2, 2016
Unit: shares

Share type	Rated capital for shares					Note
	Issued shares (note)			Unissued shares	Total	
	Listed (note)	OTC (counter)	Total			
Registered ordinary shares	165,069,756	0	165,069,756	84,930,244	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 April 2, 2016
Unit: shar; person; %

Structure of shareholders / Number	Government agency	Financial constitutions	Other juristic person	Individual	Foreign constitution and foreigner	Total
Number (person)	0	1	49	11,486	58	11,594
Number (share)	0	20,000	41,465,528	111,815,085	11,769,143	165,069,756
Ration of shareholding (%)	0.00%	0.01%	25.12%	67.74%	7.13%	100.00%

1.3 Allocation of shares

For ordinary shares, the price of each share is 10 dollars April 2, 2016
Unit: shar; person; %

Shareholding level	Shareholder (persons)	Number (shares)	Shareholding ration (%)
1 to 999	1,727	471,723	0.29%
1,000 to 5,000	7,073	15,833,389	9.59%
5,001 to 10,000	1,411	11,524,680	6.98%
10,001 to 15,000	386	4,894,660	2.97%
15,001 to 20,000	314	5,883,009	3.56%
20,001 to 30,000	205	5,246,501	3.18%
30,001 to 40,000	121	4,351,312	2.64%
40,001 to 50,000	76	3,502,198	2.12%
50,001 to 100,000	132	9,408,141	5.70%
100,001 to 200,000	79	11,156,777	6.76%
200,001 to 400,000	33	9,141,019	5.54%
400,001 to 600,000	11	5,554,643	3.37%
600,001 to 800,000	6	4,378,000	2.65%
800,001 to 1,000,000	3	2,672,751	1.62%
Above1,000,001	17	71,050,953	43.03%
Total	11,594	165,069,756	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:

April 2, 2016

Shares / Names of major shareholders	Share held (shares)	Shareholding ratio (%)
Ji Shuan Investment Corp.	19,005,795	11.51%
Yi Wei Investment Corp.	12,647,112	7.66%
Lin, Yu-yeh	10,327,782	6.26%
Lin, Yu-yao	4,640,515	2.81%
Sung Kao, Hsin-Ming	4,010,513	2.43%
Ji Chang Investment Corp.	2,798,955	1.70%
Yatai Investment Corp.	2,400,000	1.45%
Huang shihfeng	2,318,910	1.40%
Chen Lien-Tzu	2,090,825	1.27%
Ma, Kuo-Peng	1,674,422	1.01%

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

Unit：NT$；thousand shares；%

Item			2014	2015	Jan 1 to Mar 31, 2016
Market Price per Share(Note 1)	Highest Market Price(Note 1)		27.20	31.65	28.35
	Lowest Market Price(Note 1)		17.70	14.80	20.80
	Average Market Price(Note 1)		22.53	23.86	24.84
Net Worth per Share(Note 2)	Before Distribution		26.51	27.01	Not Applicable
	After Distribution(Note 2)		26.51(Note 2)	27.01(Note 2)	Not Applicable
Earnings per Share	Weighted Average Shares		165,066	165,070	165,070
	Earning (loss) per share (before the retroactive adjustment)(Note 3)		2.33	2.78	0.86
	Earning (loss) per share (after the retroactive adjustment) (Note 3)		2.33	2.78	Not Applicable
Dividends per Share	Cash Dividends		2.00	2.00(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)		9.67	8.58	Not Applicable
	Price - Dividend Ratio(Note 6)		11.27	11.93(Note 2)	Not Applicable
	Cash Dividend Yield Rate(Note 7)		8.88	8.38(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; 2015 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 2014 and 2015 consolidated financial statement certified by the accountant and 2016 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 Association:

The profit of the company shall be appointed for tax, legal reserve, special reserve and 1% of the profit is for director compensation, dividend for employee is 1-15%, and the left shall be appointed by the approval of the board.

Article 20-1:

The appointed profit shall not exceed 50% to ensure the security of company financial status.

To follow amendments to Company Act made in 2015, the Company has, on August 3 of 2015 and February 22 of 2016, made amendmentsto its dividend policy stated in Article 20 of Articles of Incorporation as shown below. However, the said proposals still need to be approved by the Shareholders' Meeting:

Article 20 of Articles 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.

1.6.2. The proposed appointment

In TWD dollar

Subject	Amount
Profit to be appointed	$ 1,098,679,391
Increment：adjusted reserve profit of 2015(Note 2)	(14,800,150)
After adjusting	1,083,879,241
Increment：2015 profit after tax	458,723,970
Deduction：Legal reserve	(45,872,397)
Profit to be appointed-total	1,496,730,814
Item：(Note2)	
Shareholder dividend－Cash 2.00/per share	(330,139,512)
Profit reserved	$ 1,166,591,302

Note 1: Refers to remeasurements of defined benefit plans, which was recognized as other comprehensive income due to actuarial assumption variables of defined benefit / pension plan of 2015 and then transferred into retained earnings.
Note 2: The distributed profit was generated mainly in 2015 as the priority.
Note 3: Regarding the dividend distribution rate set in profit distribution proposal, if employees' execution of employee stock option affects the Company's no. of the weighted average outstanding shares and results in a change of shareholders' dividend declared ratio, a request of fully authorizing the Board of Directors to make adjustment accordingly shall be submitted at shareholders' meeting
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 as the Company's other income.

1.6.3. The explanation for severe policy adjusting: None.

1.7 The influence of share appointment:

As the Company's shareholders' meeting in 2016 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.

According to Articles of Incorporation, the Company shall distribute 1% to 15% of profit to employees for bonus and 1% to directors and supervisors for remuneration. However, according to amendments to Article 235, Article 240 and Article 235-1 of Company Act made on May 20 of 2015, distribution of the dividends and bonuses (that is, the distribution of profit) shall only be limited to shareholders, whereas the employees shall not be the target of distributing profits. The said Articles also regulate companies to specify that the amount or percentage of remuneration distributed to employees shall be defined according to the profitability of the year in their Articles of Incorporation.

Restricted by practical operation procedures of amendments to Articles of Incorporation, the Company has on August 3 of 2015 and February 22 of 2016 passed Amendments to the Distribution of Remuneration for Directors, Supervisors and Employees, which is to be decided by Shareholders' Meeting. 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'compensation. However, if the Company has any left-over deficit, the amount to make up the deficit shall be reserved in advance.

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 2015 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 6.5%, whereas directors and supervisors' remuneration was estimated with around 1%). Employees' compensation and directors and supervisors' 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, directors and supervisors, 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 2015 Employees' Compensation and Directors and Supervisors' Remuneration, Board of Director already approved the proposal in the meeting held on February 22 of 2016, where NT$40,000,000 will be distributed to employees as compensation and NT$6,197,149 will be distributed to directors and supervisors as remuneration.

Unit: dollars

Subject	Amount to be appointed
Employees' Compensation-Cash dividends	40,000,000
Employees' Compensation-Stock dividends	0
Director and supervisor compensation	6,197,149

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

The 2015 estimated dividends are 40,000,000 dollars and the director compensation is 6,179,149dollars 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 2015			
	The appointed amount	Estimated amount	Difference	Cause
Status				
1.Cash dividends	34,714,654	34,714,654	0	0
2.Stock dividends				
(1)Stock	0	0	0	0
(2)Cash	0	0	0	0
3.Compensation for directors	3,460,902	3,460,902	0	0

1.9 Buy-back: None

2. Bonds: 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, 2016

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$19.60
Percentage of non-subscribed shares to total issued shares (%)(%)	2.3966%(Note6)
Effect of warrant upon equity to shareholders	The validity employees' share subscription warrant is 6 years. Share subscribers shall, starting 2 years after the second day of the issuance date, implement it three times in three years, which helps to lessen effect on the equity to original shareholders year by year. Therefore, the dilution effect is somehow limited.

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

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

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

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

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

Note 6: Here the "total issued shares" in "Percentage of issued subscription shares to total issued shares (%)" is calculated based on the total number of issued shares up to the printing of the annual report (April 30 of 2016) , which is 165,069,756 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 2016), the number of approved non-issued employee share subscription warranty is 44,000 units.

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

March 31, 2016

	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	Deputy General Director	Chen Chien-Tun	440	0.27%	0	19.60	0	0.00%	440	19.60	8,624	0.27%
	Deputy General Director	Huang Tsung-Wen										
	Deputy General Director	Chang Jui-Ju										
	Deputy General Director	Chen Tien-Ting										
	Deputy General Director / Supervisor of Financial Department	Hsieh Ming-Chu										
	Supervisor of Accounting Department	Chung Chi-Wen										
Employees (Note 3)	Top Ten Employees	Hou Kun-Yu	680	0.41%	0	19.60	0	0.00%	680	19.60	13,328	0.41%
		Hou Fu-Chia										
		Li Jui-Wen										
		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 2016) , which is 165,069,756 shares.

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:

8.1 As of the former season before the annual report was published, is there any beneficial result from the plan content of security issuance or the project within three years not realized? None

8.2 As of the former season before the annual report was published, is there any beneficial result from the plan implement of security issuance or the project within three years not realized? N/A

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.	2014		2015	
	Business incomes	Business %	Business incomes	Business %
Sales and service of high-tech equipment and material	4,263,305	28.49	4,762,693	26.41
Automatic Supplying system	2,847,903	19.03	4,191,460	23.25
Total Facility Engineering Turnkey Project	4,590,487	30.67	5,045,118	27.98
R &D and manufacturing of customized equipment	3,263,704	21.81	4,032,353	22.36
Total	14,965,399	100.00	18,031,624	100.00

Note: Disclosed based on the consolidated reports of 2014 and 2015 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

(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 system
- Ion Implanter
- 4-point probe electric resistance measurement system
- 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
- 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
- 4-point probe measurement system
- Single wafer heating equipment
- Dicing UV cure system
- Wafer overlay error measurement system
- Multi-functional cofocal microscopy

(1.3) IC packaging process

- WLCSP Ball Mounter
- WLCSP Inspection & Repair
- 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

(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

- Operation consulting for Total Chemical Management (TCM)、Total Gas Management (TGM) & Total Water Management (TWM)
- Operating service for factory management systems for small and medium-sized factories

(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.
f. 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

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) Wireless sensor and image recognition integrated platform

- Smart surveillance and process management
- Customer features and trading analysis

(11)C2B pattern has gradually become the main train for eCommerce in the future, where the demand of end consumers will be the only power that promotes the trading. Its trading platform will also have below modules:

(11.1) The Payment Cool wallet(支付酷錢包)

(11.2) An integrated payment through the third party

(11.3) LBS

(11.4) Platform of managing the Payment Cool content

(11.5) An integration of social media

(11.6) The management of points for Cool Coins

(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.

(13) The Production Force 4.0 Expert and Consultant Group: including automatedmaterial storage and transportation technology, automated production / manufacturing technology, automated system integration, design and technology and so on to offer consultations, diagnosis and counseling services.

(14)3D Image Security, Protection and Surveillance system: introduced on-site realistic environment to build a 3D module. It integrates existing 2D video images of all brands' CCTV to show the 3D surveillance image, providing customers an intuitive and smart automated security and protection 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

(1.1)Current Status and development of Worldwide IC industry

Worldwide semiconductor revenue totaled $333.7 billion in 2015, a 1.9 percent decrease from 2014 revenue of $340.3 billion, according to preliminary results by Gartner, Inc. The top 25 semiconductor vendors' combined revenue increased 0.2 percent, which was more than the overall industry's growth. The top 25 vendors accounted for 73.2 percent of total market revenue, up from 71.7 percent in 2014.

Intel recorded a 1.2 percent revenue decline, due to falls in PC shipments (see Table 1). However, it retained the No. 1 market share position for the 24th year in a row with 15.5 percent market share. Samsung's memory business helped drive growth of 11.8 percent in 2015, and the company maintained the No. 2 spot with 11.6 percent market share.

Table 1. Top 10 Semiconductor Vendors by Revenue, Worldwide, 2015

(Millions of Dollars)

Rank 2014	Rank 2015	Vendor	2014 Revenue	2015 Revenue	2014-2015 Growth (%)	2015 Market Share (%)
1	1	Intel	52,331	51,690	-1.2	15.4
2	2	Samsung Electronics	34,742	37,852	9.0	11.3
5	3	SK Hynix	15,997	16,374	2.4	4.9
3	4	Qualcomm	19,291	16,079	-16.7	4.8
4	5	Micron Technology	16,278	13,816	-15.1	4.1
6	6	Texas Instruments	11,538	11,533	0.0	3.4
7	7	Toshiba	10,665	9,162	-14,1	2.7
8	8	Broadcom	8,428	8,394	-0.4	2.5
12	9	Infineon Technologies	5,693	6,808	19.6	2.0
9	10	STMicroelectronics	7,376	6,800	-7.8	2.0
		Others	160,289	156,260	-2.5	46.9
		Total	342,628	334,768	-2.3	100.0

Note: Some columns do not add to totals shown because of rounding.
Source：Gartner (April 2016)

The NAND market continued to deteriorate throughout the year. As a result, revenue grew only 4.1 percent in 2015, fueled by elevated supply bit growth that resulted in an aggressive pricing environment. The tumultuous NAND pricing environment rippled through most of the NAND solutions, particularly solid-state drives (SSDs), which continue to encroach on hard-disk drives (HDDs). The ensuing price war in SSDs further pressured the profitability of the NAND flash makers amid the biggest technology transition in flash history — 3D NAND. While 3D NAND commercialization was modest, it was limited to only one vendor — Samsung. Modest revenue gains have not stopped investment in NAND flash and 3D technology, with all vendors continuing to spend aggressively in the technology and most with new fabs.

After 32.0 percent revenue growth in 2014, the DRAM market hit a downturn in 2015. An oversupply in the commodity portion of the market caused by weak PC demand led to severe declines in average selling prices (ASPs), and revenue contracted by 2.4 percent compared with 2014. The oversupply and the extent of ASP declines could have been significantly worse if Micron Technologies' bit growth had performed in line with its South Korean rivals. Fortunately for the market, the company saw negative bit growth due to its transition to 20 nm, sparing the industry from an even more severe downturn.

Breaking a three-year double-digit-growth streak, the worldwide semiconductor foundry market grew 4.4 percent in 2015 to achieve $48.8 billion in revenue, according to final results by Gartner, Inc.

Among the top players, the leader, TSMC, grew 5.5 percent in 2015, driven by the success of 20 nm planar and 16 nm Fin field-effect transistor (FinFET) technologies serving the need of application processors and baseband modem chips (see Table 1). Globalfoundries moved into the No. 2 position with 9.6 percent of the market. The No. 3 position went to UMC with $4.5 billion revenue, representing 9.3 percent of the market.

Table 2, Top 10 Worldwide Semiconductor Foundries by Revenue

(Millions of U.S. Dollars)

2015 Rank	2014 Rank	Vendor	2015 Revenue	2015 Market Share (%)	2014 Revenue	2015-2014 Growth (%)
1	1	TSMC	26,566	54.3	25,175	5.5
2	3	Globalfoundries	4,673	9.6	4,400	6.2
3	2	UMC	4,561	9.3	4,621	-1.3
4	4	Samsung Electronics	2,607	5.3	2,412	8.1
5	5	SMIC	2,229	4.6	1,970	13.1
6	6	Powerchip Technology	985	2.0	917	7.4
7	10	TowerJazz	961	2.0	828	16.1
8	7	Fujitsu Semiconductor	845	1.7	653	29.4
9	9	Vanguard International	736	1.5	790	-6.9
10	13	Shanghai Huahong Grace Semiconductor	651	1.3	665	-2.0
		Top 10 for 2015	**44,814**	**91.7**	**42,431**	**5.6**
		Others	**4,077**	**8.3**	**4,281**	**-7.0**
		Total Market	**48,891**	**100.0**	**46,812**	**4.4**

Source：Gartner，April 2016

1 About 5% of TSMC's revenue is from nonwafer manufacturing
2 Includes IBM foundry and IBM captive, but excludes the acquired IBM ASIC contribution of $332 million
3 About 2.5% of UMC's revenue is from nonwafer manufacturing
4 Includes Samsung classic foundry revenue and Apple's wafer business on 28 nm and 14 nm, but excludes Samsung's ASIC business
5 Excludes $312 million DRAM
Note: Because of rounding, sums of numbers may differ from totals shown

Price competition in advanced process technologies in 2015 was exceptionally strong, not only on the 28 nm node, as more foundry suppliers have started the production volume of 28 nm polySiON technology, but also on 65 nm and 40 nm. In contrast to the highly utilized 200 mm fabs from fingerprint ID chips and power management ICs, the low 300 mm fab utilization rates at some large foundries have triggered their willingness to run more 0.18-micron wafers in the 300 mm fabs.

"On a quarterly basis, foundry revenue changed quarter to quarter in 2015. The normal seasonal pattern of a very strong second quarter was not obvious, while most foundries continued to revise their business outlook during each quarter's earnings release," said Mr. Wang. "The peak inventory level for the semiconductor industry continued to push out during 2015, from the second quarter to the third quarter, and through the rest of the year."

A new Gartner report published notes that Samsung Electronics and Apple remained the top semiconductor buyers in 2015, representing 17.7 percent of the market, according to Gartner, Inc. Samsung Electronics and Apple together consumed $59.0 billion of semiconductors in 2015, an increase of $0.8 billion from 2014 (see Table 1 below). What the report doesn't point out is how huge a leap Apple took over Samsung. Apple's share grew by 7.1% in 2015 while Samsung's share declined 3.6%. Apple is now running neck to neck with Samsung.

Table 3, Prwliminary Ranking of Top 10 Companies by Semiconductor Design TAM, Worldwide, 2015

(Millions of Dollars)

2014 Ranking	2015 Ranking	Company	2014	2015	Growth (%) 2014-2015	2015 Market Share (%)
1	1	Samsung Electronics	30,989	29,867	-3.6	8.9
2	2	Apple	27,177	29,116	7.1	8.7
4	3	Lenovo	13,743	13,329	-3.0	4.0
5	4	Dell	10,880	10,686	-1.8	3.2
3	5	HP Inc.	15,616	8,634	-44.7	2.6
7	6	Huawei	6,040	7,020	16.2	2.1
6	7	Sony	7,631	6,947	-9.0	2.1
-	8	Hewlett Packard Enterprise	0	6,473	-	1.9
9	9	LG Electronics	5,743	5,533	-3.7	1.7
8	10	Cisco Systems	5,817	5,430	-6.7	1.6
		Others	216,695	210,684	-2.8	63.1
		Total	**340,331**	**333,718**	**-1.9**	**100.0**

Note: Some columns do not add to totals shown because of rounding. Source: Gartner (January 2016)

"Samsung Electronics and Apple have topped the semiconductor consumption table for five consecutive years, but the growth of Samsung's design total available market (TAM) was lower than the total semiconductor market in 2014 and 2015," said Masatsune Yamaji, principal research analyst at Gartner.

The top 10 companies bought $123 billion of semiconductors, to account for 36.9 percent of semiconductor chip vendors' worldwide revenue in 2015. This was down from 37.9 percent in 2014, which was worse than the semiconductor industry's global total decrease of 1.9 percent.

IC Insights has released its Global Wafer Capacity 2016-2020 report that provides in-depth detail and analysis of IC industry capacity by wafer size, by process geometry, by region, and by product type. The new report provides a ranking of the industry’s 25 largest IC manufacturers in terms of installed capacity as of December 2015. The top 10 capacity leaders are shown in Figure 1. Among the world’s top 10 capacity leaders in 2015 were four companies headquartered in North America, two companies based in South Korea and in Taiwan, and one company each from Europe and Japan. The list includes the world’s four largest memory suppliers, three largest foundries, the largest microprocessor supplier, and Texas Instruments and ST—the two biggest suppliers of analog ICs.

Table 4, Wafer Capacity Leaders at Dec-2015

(Monthly Installed Capacity in 200mm-equivalents)

2015 Rank	2014 Rank	Company	Headquarters Region	Dec-2014 Capacity (K w/m)	Dec-2015 Capacity (K w/m)	Yr/Yr Change	Share of Worldwide Total	Inclusion or Exclusion of Capacity Shares from Joint Venture Fabs
1	1	Samsung	S. Korea	2,345	2,534	8%	15.5%	
2	2	TSMC	Taiwan	1,657	1,891	14%	11.6%	+SSMC, +Vanguard
3	3	Micron	N. America	1,539	1,601	4%	9.8%	+IM Flash, +Inotera
4	4	Toshiba/SanDisk	Japan	1,276	1,344	5%	8.2%	
5	5	SK Hynix	S. Korea	1,170	1,316	13%	8.1%	
6	7	GlobalFoundries	N. America	646	762	18%	4.7%	+SMP
7	6	Intel	N. America	719	714	-1%	4.4%	+IM Flash
8	8	UMC	Taiwan	526	564	7%	3.4%	
9	9	Texas Instruments	N. America	520	553	6%	3.4%	
10	10	STMicroelectronics	Europe	487	458	-6%	2.8%	
		WW TOTAL		15,412	16,350	6%	72%	

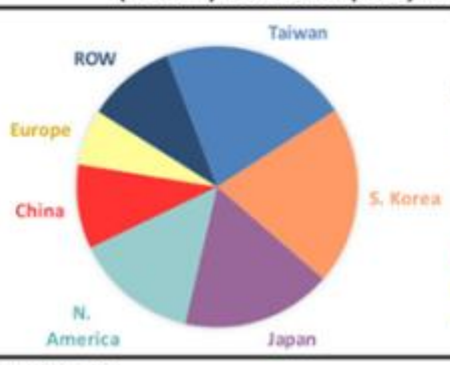
Source: Companies, IC Insights

Collectively, the top 10 leaders had installed capacity of 11,737K wafers/month at the end of the year, which equates to 72% of global capacity and up slightly from 10,885K wafers/month or 71% in 2014. As of December 2015, Samsung had the most installed wafer capacity with 2.5 million 200mm-equivalent wafers per month, which represented 15.5% of the world's total capacity with most of it used for the fabrication of DRAM and flash memory devices. Second in line was the largest pure-play foundry in the world TSMC with about 1.9 million wafers per month capacity, or 11.6% of total worldwide capacity. Micron substantially increased its available capacity in recent years primarily through acquiring existing capacity from others. With the addition of the Elpida and Rexchip fabs as well as the extra Inotera capacity, Micron first became the third-largest wafer capacity holder in the world in 2013. Micron had the sixth-largest amount of wafer capacity in 2012, and in the beginning of that year the company acquired Intel's stake in two IM Flash Technologies fabs, giving Micron access to all the capacity from those fabs. The fourth-largest capacity holder at the end of 2015 was Toshiba with about 1.3 million in monthly wafer capacity (8.2% of total worldwide capacity), including a substantial amount of flash memory capacity for joint-investor/partner SanDisk. Rounding out the top 5 companies was another memory IC supplier SK Hynix with 1.3 million wafers/month (8.1% of total worldwide capacity). Intel's capacity declined slightly in 2015 because of the company's Fab 68 in China being taken off-line while it is converted from the production of logic chipsets to next-generation flash memory (3D NAND and XPoint).

The chart breaks down the world's installed monthly wafer production capacity by geographic region (or country) as of December 2015. Each regional number is the total installed monthly capacity of fabs located in that region regardless of the headquarters location for the companies that own the fabs. For example, the wafer capacity that South Korea-based Samsung has installed in the U.S. is counted in the North America capacity total, not in the South Korea capacity total.

Figure 1, Wafer Capacity at Dec-2015-by Geographic Region

(Monthly Installed Capacity in 200mm-equivalents)



Region	Installed Capacity (K w/m)	% of Worldwide Total
Taiwan	3,547	21.7%
S. Korea	3,357	20.5%
Japan	2,824	17.3%
N. America	2,320	14.2%
China	1,591	9.7%
Europe	1,046	6.4%
ROW	1,665	10.2%
TOTAL	16,350	100%

Source: IC Insights

Source：IC Insight，2016/02

Taiwan surpassed South Korea in 2015 to become the largest capacity holder after having passed Japan in 2011. China became a larger wafer capacity holder than Europe for the first time in 2010.

For wafers 150mm in diameter and smaller, Japan was the top region in terms of the amount of capacity. The fabs running small size wafers tend to be older and typically process low-complexity, commodity type products or specialized devices.

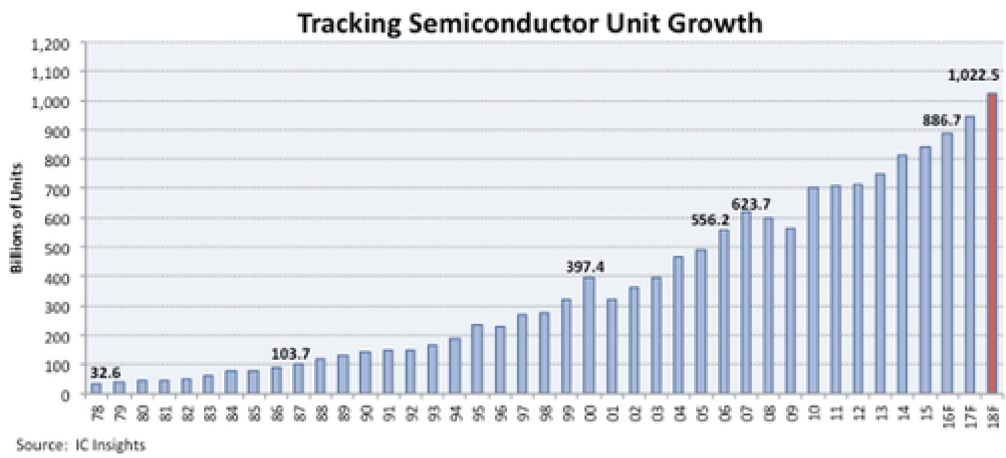
The capacity leaders for 200mm wafers were Taiwan and Japan. There have been many 200mm fabs closed over the past several years, but not in Taiwan and that resulted in the country becoming the largest source of 200mm capacity beginning in 2012. With Taiwan being home to most of the IC industry's foundry capacity, the country's share of 200mm capacity will likely rise further in the coming years.

For 300mm wafers, South Korea was at the forefront, followed by Taiwan. Taiwan lost its position as the leading supplier of 300mm wafer capacity in 2013. That was in large part because ProMOS closed its large 300mm fabs, but it was also due to Samsung and SK Hynix continuing to expand their fabs in South Korea to support their high-volume DRAM and flash businesses.

More than 1 trillion semiconductors are projected to ship in a calendar year for the first time in 2018, according to a forecast by market research firm IC Insights Inc.

The milestone achievement of about 1.02 trillion devices is expected to increase from 886.7 million units this year and about 950 billion units next year, according to the 2016 edition of IC Insights' McClean Report. The total includes all semiconductors, including integrated circuits and opto-sensor-discrete (O-S-D) devices.

Figure 2, Tracking Semiconductor Unit Growth

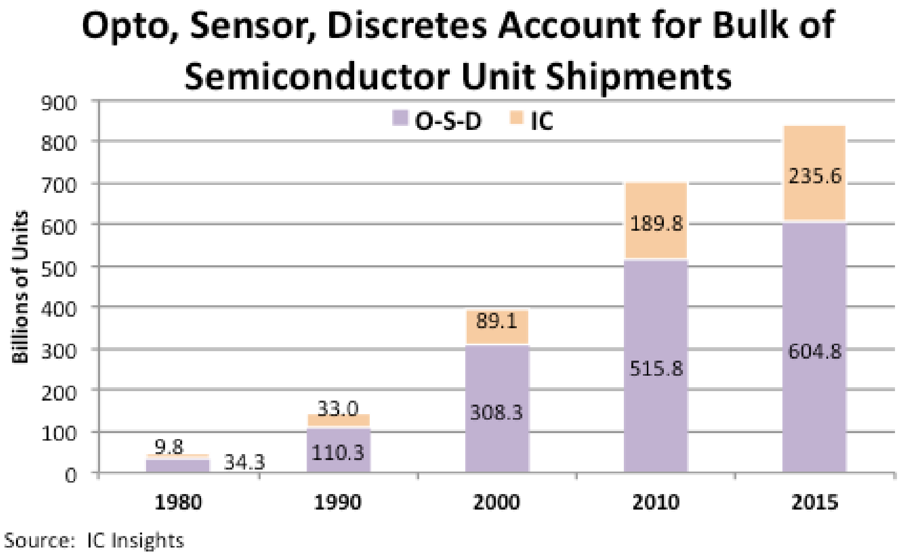


Source, IC Insights，2016/03

Topping the 1 trillion mark in 2018 would represent an impressive 9% compound annual growth rate over the past 40 years, from 32.8 billion shipments in 1978, according to IC Insights. The firm says the growth "demonstrates how increasingly dependent on semiconductors the world has become."

The single largest growth year for semiconductor shipments over the 40-year timespan was 1984, when unit shipments increased by 34%, IC Insights said. The largest decline came in 2001, when shipments declined by 19% in the wake of the dot-com bubble bust, the firm said.

Figure 3, Opto, Sensor, Discretes Account for Bulk of Semiconductor Unit Shipments



Source, IC Insights，2016/03

Unit shipments fell in 2008 and 2009 in the midst of global financial recession, the only period on record when units declined in consecutive years, IC Insights said. Afterward, chip unit shipments surged by 25% in 2010, the second-highest growth rate since 1978..The percentage of O-S-D devices within the broader semiconductor category has remained fairly constant over the past 40 years despite advances in ICs. In 1980, O-S-D accounted for 78% of all semiconductor shipments will ICs accounted for 22%. Thirty-five years later, in 2015, O-S-D devices accounted for 72% of total semiconductor shipments, compared with 28% for ICs, according to IC Insights.

Table 5,Product Categories with Strongest Forecast Unit Growth

Product Categories with Strongest Forecast Unit Growth

O-S-D Devices	2016F Unit Growth Rate	IC Devices	2016F Unit Growth Rate
Magnetic-Field Sensors	15%	32-bit MCUs	29%
Actuators	13%	Wireless Comm—App-Specific Analog	15%
Thyristor Surge Suppressors	12%	Display Drivers	12%
Total O-S-D	**6%**	**Total IC**	**6%**

Source, IC Insights，2016/03

Global semiconductor revenues fell by 2 percent in 2015. Sequential quarterly growth was weak throughout every quarter of 2015, especially in the first quarter when the market declined 8.9 percent over the previous quarter -- the deepest sequential quarterly decline since the semiconductor market collapsed in the fourth quarter of 2008 and first quarter of 2009. Global revenue in 2015 totaled $347.3 billion, down from $354.3 billion in 2014, according to IHS Inc. (NYSE: IHS), the leading global source of critical information and insight. The market drop follows solid growth of 8.3 percent in 2014 and 6.4 percent in 2013.

Overall semiconductor revenue growth will limp along at roughly 2.1 percent growth compound annual growth rate (CAGR) between 2015 and 2020, according to the latest information from the IHS Semiconductors Service. Current technology, economic, market and product trends suggest that sometime between 2020 and 2022 new products will come to market that will enable a significant level of growth in semiconductor revenues.

Intel retained its number one ranking in 2015, after completing its acquisition of Altera, which allowed the company to offset declining processor revenues and achieve 2.9 percent overall growth in 2015. Qualcomm slipped to number four in the rankings as its revenues fell by 14.5 percent, because the company’s 2015 acquisition of CSR was not enough to counter declining revenues in the wireless markets. The final major deal among the top 10 in 2015 was NXP’s

acquisition of Freescale, which boosted it from number 15 in the 2014 rankings to number seven in 2015.
Among the top 20, Infineon’s acquisition of International Rectifier enabled it to jump to number 12 in 2015. Announced deals that are expected to close in the first half of 2016 will continue to reshape the leader board. Avago Technologies continues its aggressive acquisition activity with its purchase of Broadcom. Broadcom is already ranked at number nine in 2015. The combined revenues of the two companies would place them at number five overall. ON Semiconductor’s acquisition of Fairchild Semiconductor should boost it up two notches in the rankings.
Among the top 25 semiconductor suppliers, 14 companies achieved growth in 2015. This stands in sharp contrast to the overall semiconductor market where less than 42 percent of 285 companies tracked by IHS were able to achieve positive revenue results in 2015.

Table 6, Worldwide Revenue Ranking for Top 25 Semiconductor Suppliers in 2015 (Billions of US Dollars)

Worldwide Revenue Ranking for Top 25 Semiconductor Suppliers in 2015 (Billions of US Dollars)

2014 Rank	2015 Rank	Company Name	2014 Revenue($)	2015 Revenue($)	Revenue Percent Change	Revenue Percent of Total	Revenue Cumulative Percent
1	1	Intel	49.96	51.42	2.9%	14.8%	14.8%
2	2	Samsung Electronics	37.09	40.16	8.3%	11.6%	26.4%
4	3	SK Hynix	16.11	16.50	2.4%	4.8%	31.1%
3	4	Qualcomm	19.29	16.50	-14.5%	4.8%	35.9%
5	5	Micron Technology	16.11	14.08	-12.6%	4.1%	39.9%
6	6	Texas Instruments	12.25	12.26	0.1%	3.5%	43.5%
15	7	NXP	5.48	9.72	77.3%	2.8%	46.3%
7	8	Toshiba	10.23	8.83	-13.7%	2.5%	48.8%
8	9	Broadcom	8.40	8.41	0.2%	2.4%	51.2%
9	10	STMicroelectronics	7.40	6.90	-6.8%	2.0%	53.2%
14	11	Avago Technologies	5.65	6.89	22.0%	2.0%	55.2%
13	12	Infineon Technologies	5.94	6.81	14.8%	2.0%	57.2%
10	13	MediaTek	7.02	6.65	-5.2%	1.9%	59.1%
23	14	Apple	2.99	6.06	103.0%	1.7%	60.8%
11	15	Renesas Electronics Corporation	6.82	5.69	-16.4%	1.6%	62.5%
17	16	Sony	5.05	5.34	5.7%	1.5%	64.0%
12	17	SanDisk	6.26	4.98	-20.5%	1.4%	65.4%
19	18	nVidia	4.11	4.40	7.0%	1.3%	66.7%
16	19	Advanced Micro Devices (AMD)	5.39	3.92	-27.3%	1.1%	67.8%
21	20	ON Semiconductor	3.52	3.48	-1.0%	1.0%	68.8%
22	21	Analog Devices	3.09	3.43	11.0%	1.0%	69.8%
26	22	Skyworks Solutions	2.55	3.25	27.5%	0.9%	70.8%
24	23	HiSilicon Technologies	2.65	3.12	17.8%	0.9%	71.6%
20	24	Marvell Technology Group	3.71	2.86	-22.9%	0.8%	72.5%
25	25	ROHM Semiconductor	2.61	2.44	-6.4%	0.7%	73.2%
		All Others	104.60	93.15	-10.9%	26.8%	
		Total Semiconductor	**354.28**	**347.27**	**-2.0%**	**100.0%**	

Source, IHS，2016/04

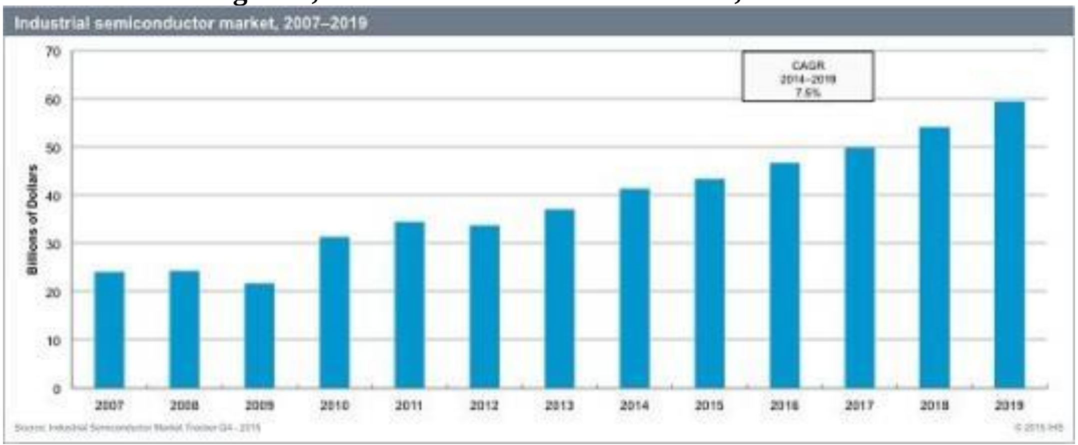
The industrial semiconductor market will post an 8 percent compound annual growth rate (CAGR), as revenue rises from $43.5 billion in 2014 to $59.5 billion in 2019. Increased capital spending and continued economic growth, especially in the United States, will spur demand and industrial semiconductor sales growth, according to IHS Inc. (NYSE: IHS), the leading global source of critical information and insight. Commercial aircraft, LED lighting, digital video surveillance, climate control, traction and medical devices are driving most of the global demand for industrial semiconductors.
The greatest semiconductor growth will come from LEDs, which is expected to reach $14.5 billion in 2019, stemming from the global LED lighting boom. Discrete power transistors, thyristors, rectifiers and power diodes are expected to hit $7.8 billion in revenue, due to the policy shift toward energy efficiency in the factory automation market.
According to the IHS Industrial Semiconductors Intelligence Service, analog application-specific integrated circuits (ICs) can expect strong growth through 2019, reaching $4.7 billion in industrial markets, especially in factory automation, power and energy, and lighting. Growth will primarily come from various power management product portfolio

offerings and device integration from Texas Instruments (TI), Analog Devices (ADI), NXP and other leading semiconductor firms. Microcontrollers (MCUs) are also expected to experience robust growth in the long term, growing from $4.4 billion to $6.3 billion, thanks to advances in power efficiency and integration features.

Total industrial original equipment manufacturing (OEM) factory revenue is forecast to grow at a CAGR of 5 percent, reaching $670 billion in 2019. Industrial OEM factory revenues specifically grew 6 percent in 2015 driven by increased sales in building and home-control, and military and civil aerospace sectors. High-growth categories include LED lighting, climate control, digital video surveillance products and commercial aircraft.

With its comparatively strong global economy, the United States accounted for 30 percent of all semiconductors used in industrial applications in 2015. China was the second largest industrial chip buyer, purchasing about 16 percent of all industrial semiconductors last year.

Figure 4, Industrial Semiconductor Mrket, 2007~2019



Source, IHS，2016/03

Breaking a three-year double-digit-growth streak, the worldwide semiconductor foundry market grew 4.4 percent in 2015 to achieve $48.8 billion in revenue, according to final results by Gartner, Inc.

"In 2015, semiconductor device market revenue declined due to excess IC inventory, poor demand for mobile products and PCs, and slowing tablet sales," said Samuel Wang, research vice president at Gartner. "The slowdown in the device market has driven semiconductor producers to be conservative in placing wafer orders to foundries. Foundry growth was only possible from the high wafer demand by Apple and the revenue conversion of a few integrated device manufacturers (IDMs) to foundries."

Among the top players, the leader, TSMC, grew 5.5 percent in 2015, driven by the success of 20 nm planar and 16 nm Fin field-effect transistor (FinFET) technologies serving the need of application processors and baseband modem chips (see Table 1). Globalfoundries moved into the No. 2 position with 9.6 percent of the market. The No. 3 position went to UMC with $4.5 billion revenue, representing 9.3 percent of the market.

Table 7 Top 10 Worldwide Semiconductor Foundries by Revenue

(Millions of U.S. Dollars)

2015 Rank	2014 Rank	Vendor	2015 Revenue	2015 Market Share (%)	2014 Revenue	2015-2014 Growth (%)
1	1	TSMC[1]	26,566	54.3	25,175	5.5
2	3	Globalfoundries[2]	4,673	9.6	4,400	6.2
3	2	UMC[3]	4,561	9.3	4,621	-1.3
4	4	Samsung Electronics[4]	2,607	5.3	2,412	8.1
5	5	SMIC	2,229	4.6	1,970	13.1
6	6	Powerchip Technology[5]	985	2.0	917	7.4
7	7	TowerJazz	961	2.0	828	16.1
8	10	Fujitsu Semiconductor	845	1.7	653	29.4

9	8	Vanguard International	736	1.5	790	-6.9
10	9	Shanghai Huahong Grace Semiconductor	651	1.3	665	-2.0
		Top 10 for 2015	**44,814**	**91.7**	**42,431**	**5.6**
		Others	**4,077**	**8.3**	**4,281**	**-7.0**
		Total Market	**48,891**	**100.0**	**46,812**	**4.4**

1 About 5% of TSMC's revenue is from nonwafer manufacturing
2 Includes IBM foundry and IBM captive, but excludes the acquired IBM ASIC contribution of $332 million
3 About 2.5% of UMC’s revenue is from nonwafer manufacturing
4 Includes Samsung classic foundry revenue and Apple’s wafer business on 28 nm and 14 nm, but excludes Samsung’s ASIC business
5 Excludes $312 million DRAM
Note: Because of rounding, sums of numbers may differ from totals shown
Source: Gartner, 2016 /4

Price competition in advanced process technologies in 2015 was exceptionally strong, not only on the 28 nm node, as more foundry suppliers have started the production volume of 28 nm polySiON technology, but also on 65 nm and 40 nm. In contrast to the highly utilized 200 mm fabs from fingerprint ID chips and power management ICs, the low 300 mm fab utilization rates at some large foundries have triggered their willingness to run more 0.18-micron wafers in the 300 mm fabs.

Table 8, Major 2015 Foundries (Pure-Play and IDM)

Million USD

2015 Rank	2014 Rank	Company	Foundry Type	Location	2013 Sales ($M)	2014 Sales ($M)	2014/2013 Change (%)	2015 Sales ($M)	2015/2014 Change (%)
1	1	TSMC	Pure-Play	Taiwan	19,935	24,975	25%	26,439	6%
2	2	GlobalFoundries*	Pure-Play	U.S.	4,122	4,355	6%	5,019	15%
3	3	UMC	Pure-Play	Taiwan	3,959	4,331	9%	4,464	3%
4	4	Samsung	IDM	South Korea	3,450	2,590	-25%	2,670	3%
5	5	SMIC	Pure-Play	China	1,962	1,970	0%	2,236	14%
6	6	Powerchip	Pure-Play	Taiwan	1,182	1,291	9%	1,268	-2%
7	7	TowerJazz	Pure-Play	Israel	505	828	64%	961	16%
8	10	Fujitsu	IDM	Japan	440	645	47%	870	35%
9	8	Vanguard	Pure-Play	Taiwan	713	790	11%	736	-7%
10	9	Hua Hong Semi	Pure-Play	China	585	665	14%	650	-2%
11	11	Dongbu	Pure-Play	South Korea	452	541	20%	593	10%
12	12	SSMC	Pure-Play	Singapore	496	480	-3%	460	-4%
13	15	WIN	Pure-Play	Taiwan	354	327	-8%	379	16%
—	—	Top 13 Total	—	—	38,155	43,788	15%	46,745	7%
—	—	Top 13 Share	—	—	91%	92%	—	93%	—
—	—	Other Foundry	—	—	3,755	3,689	-2%	3,515	-5%
—	—	Total Foundry	—	—	41,910	47,477	13%	50,260	6%

*Includes $740 million in 2H15 sales after IBM purchase.

Source: IC Insights, company reports

Source, IC Insights，2016/04

Without Apple, TSMC’s 2015 foundry sales would have dropped by 2% as compared to a 6% increase.

IC Insights’ April Update to the 2016 McClean Report, to be released later this week, includes IC Insights’ final 2015 top 50 company rankings for total semiconductor and IC sales as well as rankings of the leading suppliers of DRAM, flash memory, MPUs, IC foundry services, etc.

Table 7 ranks the top 13 IC foundries (pure-play and IDM) by foundry sales in 2015.
TSMC, by far, was the leader with $26.4 billion in sales last year. In fact, TSMC’s 2015 sales were over 5x that of second-ranked GlobalFoundries (even with the addition of IBM’s chip business in the second half of 2015) and almost 12x the sales of the fifth-ranked China-based

foundry SMIC. As shown, there are only two IDM foundries in the ranking—Samsung and Fujitsu—after IBM and Magnachip fell from the list in 2015. Despite losing a significant amount of Apple's business, Samsung easily remained the largest IDM foundry last year, with more than 3x the sales of Fujitsu, the second-largest IDM foundry.

Illustrating the dramatic effect of exchange rate fluctuations on the IC sales numbers, TSMC's 2015 growth rate was about half (6%) of what it was in its local currency (11%). Thus, while the company met its stated goal of 10% or better growth in 2015 in NT dollars (840.5 billion), its growth rate in U.S. dollars was only 6%.

Driving home just how important Apple's foundry business is, TSMC's foundry sales increased by $1,464 million last year while its sales to Apple jumped by $1,990 million, representing more than 100% of TSMC's total foundry sales increase in 2015. As a result, without Apple, TSMC's foundry sales would have declined by 2% last year, eight points less than the 6% increase it logged when including Apple.

Second ranked GlobalFoundries took over IBM's IC business in early July of 2015. It should be noted that besides $515 million in IDM foundry sales IBM made in 2014, the company also had about $1.0 billion of internal transfer IC revenue that year. As a result, GlobalFoundries' quarterly sales in 4Q15 were about $1.4 billion, an annual run-rate of $5.6 billion, about 12% greater than the company's 2015 sales of $5.0 billion. Moreover, without the addition of IBM's sales in the second half of last year, GlobalFoundries' sales would have declined by 2% in 2015.

Sales from the top 13 foundries' shown in Figure 1 were $46.7 billion and represented 93% of the $50.3 billion in total foundry sales in 2015. This share was two points higher than the 91% share the top 13 represented two years earlier in 2013. With the barriers to entry (e.g., fab costs, access to leading edge technology, etc.) into the foundry business being so high and rising, IC Insights expects this "top 13" marketshare figure to continue to slowly rise in the future

Semiconductor industry spending on research and development grew by just 0.5% in 2015, which was the smallest increase since the 2009 downturn year and significantly below the compound annual growth rate (CAGR) of 4.0% in R&D expenditures during the last 10 years, according to IC Insights' new 2016 edition of The McClean Report. The half-percent increase nudged worldwide R&D spending by semiconductor companies to a new record-high level of $56.4 billion in 2015 from the previous peak of $54.1 billion set in 2014, says IC Insights' flagship market analysis and forecast report on the IC industry.

Growing concerns about the weak global economy, slumping sales in the second half of the year, and unprecedented industry consolidation through a huge wave of merger and acquisition agreements weighed on semiconductor R&D spending in 2015. The new 2016 McClean Report shows Intel continuing to lead all semiconductor companies in R&D spending in 2015, accounting for 22% of the industry's total research and development expenditures. The top 10 R&D ranking is shown in Figure 1.

Following Intel in the 2015 R&D ranking are Qualcomm, Samsung, Broadcom, and the world's largest wafer foundry, TSMC. The top five spenders were unchanged from 2014, but below that point, the rankings of most companies were shuffled. Micron Technology moved up to sixth in 2015, swapping positions with Toshiba, which fell to seventh in the new ranking. MediaTek went from ninth in 2014 to eighth place, while SK Hynix climbed from 12th to ninth in 2015. ST slid from eighth in 2014 to 10th in 2015, and Nvidia fell out of the top 10 to 11th place in 2015.

The top 10 in the R&D ranking collectively increased spending on research and development in 2015 by about 2% compared to the half-percent increase for total semiconductor R&D expenditures in the year. Combined R&D spending by the top 10 exceeded total expenditures by the rest of the semiconductor companies (about $30.8 billion versus $25.6 billion) in 2015—something that has continued to hold true since 2005 and probably well before that, according to The 2016 McClean Report, which becomes available in January 2016.

Table 9 Top Semiconductor R&D Spenders (Companies with ≥$1B in Spending)

Top Semiconductor R&D Spenders (Companies with ≥$1B in Spending)

2015 Rank	2014 Rank	Company	Region	IDM	FABLESS	FOUNDRY	2014 Semi Sales ($M)	2014 R&D Exp ($M)	2014 R&D/Sales (%)	2015 Semi Sales ($M)	2015 R&D Exp ($M)	2015 R&D/Sales (%)	2015/2014 % Change in R&D
1	1	Intel	Americas	•			51,400	11,537	22.4%	50,494	12,128	24.0%	5%
2	2	Qualcomm	Americas		•		19,291	3,695	19.2%	16,032	3,702	23.1%	0%
3	3	Samsung	Asia-Pac	•			37,810	2,965	7.8%	41,606	3,125	7.5%	5%
4	4	Broadcom	Americas		•		8,428	2,373	28.2%	8,421	2,105	25.0%	-11%
5	5	TSMC	Asia-Pac			•	24,975	1,874	7.5%	26,439	2,068	7.8%	10%
6	7	Micron	Americas	•			16,720	1,598	9.6%	14,816	1,695	11.4%	6%
7	6	Toshiba	Japan	•			11,040	1,853	16.8%	9,734	1,655	17.0%	-11%
8	9	MediaTek	Asia-Pac		•		7,032	1,430	20.3%	6,699	1,460	21.8%	2%
9	12	SK Hynix	Asia-Pac	•			16,286	1,340	8.2%	16,917	1,421	8.4%	6%
10	8	ST	Europe	•			7,384	1,520	20.6%	6,840	1,409	20.6%	-7%
		Top 10 Total					200,366	30,185	15.1%	197,998	30,768	15.5%	2%

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

Source, IC Insights，2016/01

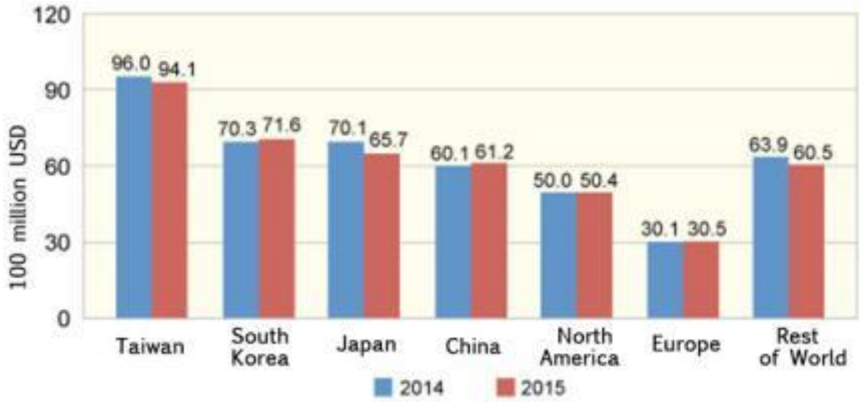
Intel's R&D expenditures grew 5% in 2015, which is significantly below its 13% average increase in spending per year since 2010 and slightly under its 8% annual growth rate since 2001, the new report says. Underscoring the growing cost of developing new IC technologies, Intel's R&D-to-sales ratio has climbed significantly over the past 20 years. In 2010, Intel's R&D

intensity level was 16.4% of revenue spent in research and development compared to 24.0% in 2015. Intel's R&D-to-sales ratios were 14.5% in 2005, 16.0% in 2000, and just 9.3% in 1995.

With worldwide semiconductor sales falling nearly 1% in 2015 to $353.6 billion and R&D spending rising 0.5% to $56.4 billion, the industry's R&D-to-sales ratio grew slightly to 16.0% from 15.8% in 2014. Since 2000, the semiconductor industry's annual R&D-to-revenue ratio has average 16.0%. The new McClean Report forecasts semiconductor R&D spending to grow about 4% in 2016 $58.9 billion and reach $76.3 billion in 2020, which would represent a CAGR of 6.7% from 2015. By between 2016 and 2020, the semiconductor industry's R&D-to-revenue ratio is expected to average 16.4% compared to 16.2% in the 2011-2015 time period.

SEMI, the global industry association for companies that supply manufacturing technology and materials to the world's chip makers, today reported that worldwide sales of semiconductor manufacturing equipment totaled $36.53 billion in 2015, representing a year-over-year decrease of 3 percent. 2015 total equipment bookings were 5 percent lower than in 2014. The data are available in the Worldwide Semiconductor Equipment Market Statistics (WWSEMS) Report, now available from SEMI.

Figure 5, Semiconductor Materials Market by World Region , 2015



Source,SEMI，2016/04

Compiled from data submitted by members of SEMI and the Semiconductor Equipment Association of Japan (SEAJ), the Worldwide SEMS Report is a summary of the monthly billings and bookings figures for the global semiconductor equipment industry. The report, which includes data for seven major semiconductor producing regions and 24 product categories, shows worldwide billings totaled $36.53 billion in 2015, compared to $37.50 billion in sales posted in 2015. Categories cover wafer processing, assembly and packaging, test, and other front-end equipment. Other front-end includes mask/reticle manufacturing, wafer manufacturing, and fab facilities equipment.

Spending rates increased for Taiwan, Korea, Japan, and China, while the new equipment markets in North America, Rest of World, and Europe contracted. Taiwan remained the largest market for new semiconductor equipment for the fourth year in a row with $9.64 billion in equipment sales. The expanding markets in South Korea and Japan surpassed the North American market, to claim the second and third largest markets, respectively, while North America fell to fourth place at $5.12 billion. The China market remained larger than the Rest of World and European markets.

The global other front end segment increased 16 percent; the wafer processing equipment market segment decreased 2 percent; total test equipment sales decreased 6 percent; and the assembly and packaging segment decreased 18 percent.

Table 10, Semiconductor Capital Equipment Market by World Region (2014-2015)

	2015	**2014**	**% Change**
Taiwan	9.64	9.41	2%
South Korea	7.47	6.84	9%
Japan	5.49	4.18	31%
North America	5.12	8.16	-37%
China	4.90	4.37	12%
Rest of World	1.97	2.15	-9%
Europe	1.94	2.38	-19%
Total	36.53	37.50	-3%

Note: Figures may not add due to rounding

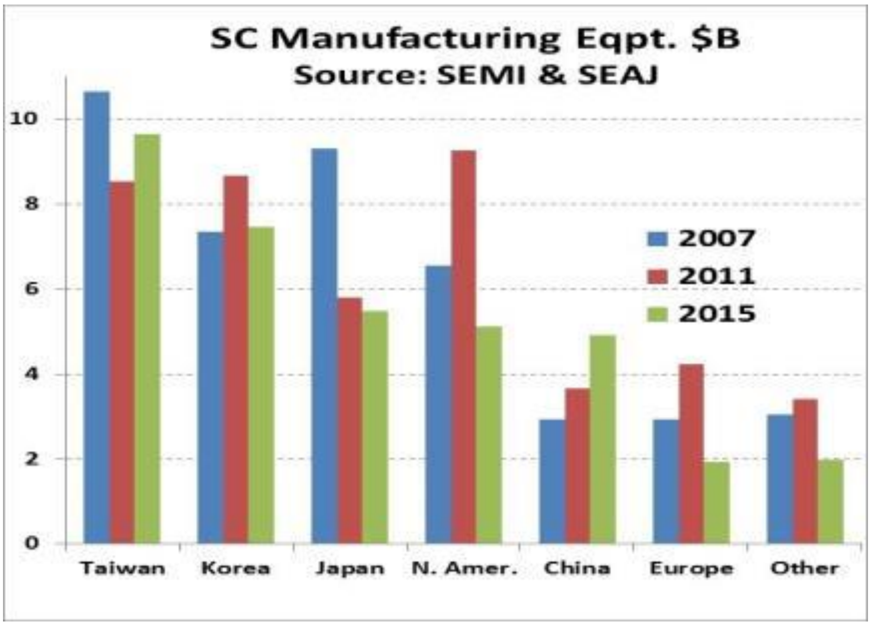
Source: SEMI/SEAJ March 2016;.

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 (WWSEMS), a detailed report of semiconductor equipment bookings and billings for seven regions and over 22 market segments; and the SEMI Semiconductor Equipment Consensus 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).

Taiwan is the largest regional market with sales of around $10 billion. The vast majority of sales in Taiwan are to wafer foundries such as TSMC and UMC. South Korea is a close second, with sales of $7 billion to $8 billion. Sales in South Korea were slightly higher than in Taiwan in 2011. South Korea sales are primarily to memory companies Samsung and SK Hynix. Japan sales declined from $9.3 billion in 2007 to $5.5 billion in 2015. Toshiba, Sony and Renesas are the major customers in Japan. North America (primarily the U.S.) sales went from $6.6 billion in 2007 to $9.3 billion in 2011, making North America the largest region in 2011. Sales dropped to $5.1 billion in 2015. Intel is the largest buyer of semiconductor equipment in North America, with Micron Technology second. China was the only region to see growth from 2007 to 2015 with sales increasing 68% to $4.9 billion. Europe and other regions each saw sales drop about a third from 2007 to 2015.

Despite the shifting of the semiconductor market to China and other emerging Asian countries, the market for semiconductor manufacturing equipment remains dominated by Taiwan, South Korea, Japan and North America – the sites of the largest semiconductor manufacturing companies. These companies prefer to make most of their multi-billion-dollar wafer fab investments close to home. China has seen strong growth in the equipment market, but China's growth rate should slow over the next few years. China should pass Japan and North America in the next few years, but is not likely to pass Taiwan or Korea before the end of the decade.

Figure 6, SC Manufacturing Eqpt. $B

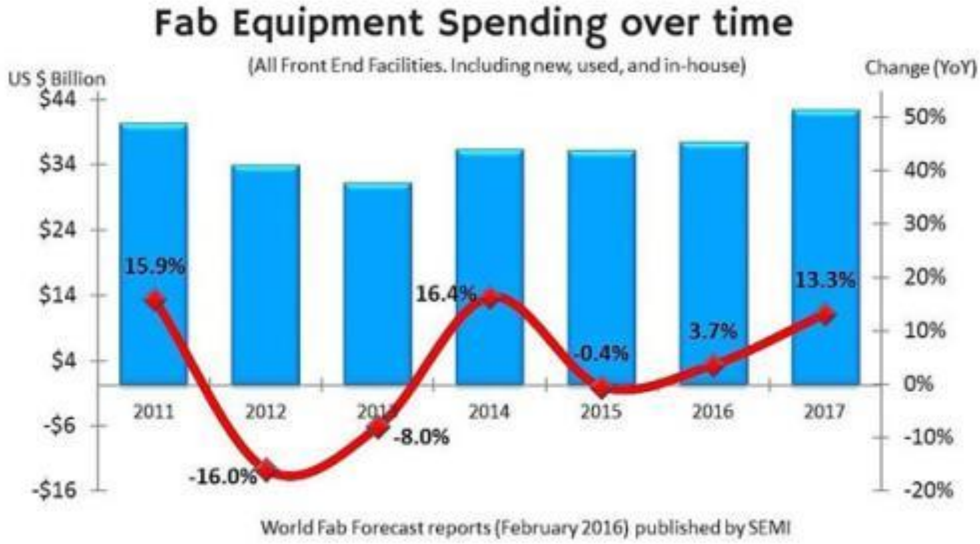


Source, SEMI，2016/03

In 2015, SEMI tracked over 270 fab equipment projects (new and used). Fab equipment spending for the year ended almost flat, with a slight decrease of -0.4 percent year-over-year. This is expected to change in 2016, with 3.7 percent growth forecast in 2016, followed by a robust 13 percent growth in 2017.

SEMI's World Fab Forecast report presents details of fab-related spending through the industry and extends the outlook through the end of 2017. Fab equipment spending is expected to pick up slowly in the first half of 2016, and accelerate into the second half when momentum starts to build for 2017 and a return to double-digit growth rates (see figure 7).

Figure 7, Fab Equipment Spending over time(All Front End Facilities. Including new, used, and in-house)



Source, SEMI，2016/03

Semiconductor capital expenditures (CapEx) for 2015 are projected to be $63.9 billion, down 1% from $64.6 billion in 2014, according to Gartner's October forecast. Gartner expects CapEx will drop 3.3% in 2016 before picking up to 5% to 6% growth in 2017 through 2019.

Table 11, Semiconductor Capital Expenditures, US$B

Semiconductor Capital Expenditures, US$B								
						Fcst.		
	2011	2012	2013	2014	2015	2016	Change	Source
Total	67.4	58.9	57.1	65.0	62.3	59.4	-5%	Gartner
Intel	10.8	11.0	10.7	10.1	7.3	9.5	30%	company
Samsung	12.1	12.3	11.5	13.6	13.0	11.5	-11%	TrendForce
TSMC	7.3	8.3	9.7	9.5	8.1	9.5	17%	company
Big 3 Total	30.2	31.6	31.9	33.2	28.4	30.5	7.3%	
% of Total	45%	54%	56%	51%	46%	51%		
Others	37.2	27.3	25.2	31.8	33.9	28.9	-15%	

Source,Gartner，2016/01

Worldwide semiconductor capital spending is projected to decline 4.7 percent in 2016, to $59.4 billion, according to Gartner, Inc. (see Table 1). This is down from the 3.3 percent growth predicted in Gartner's previous quarter's forecast.

"The 2016 outlook for the semiconductor manufacturing equipment market reflects a bleaker outlook for end-user electronics demand and the world economic environment," said David Christensen, senior research analyst at Gartner. "Capital investment policies of leading semiconductor vendors have remained cautious against the background of sluggish electronics demand. However, the long-term outlook shows a return to growth, although the wafer-level manufacturing equipment market is expected to enter a gentle down cycle in 2016 due to the loss of the supply and demand balance in the DRAM market."

Table 12

Worldwide Semiconductor Capital Spending and Equipment Spending Forecast, 2014-2018 (Millions of Dollars)

	2014	2015	2016	2017	2018
Semiconductor Capital Spending ($M)	64,569.5	62,291.3	59,360.8	63,622.1	69,182.0
Growth (%)	11.6	-3.5	-4.7	7.2	8.7
Wafer-Level Manufacturing Equipment ($M)	33,684.1	33,713.2	32,903.2	35,699.0	39,129.1
Growth (%)	16.2	0.1	-2.4	8.5	9.6
Wafer Fab Equipment ($M)	31,953.0	31,906.5	31,097.6	33,630.3	36,689.8
Growth (%)	16.3	-0.1	-2.5	8.1	9.1
Wafer-Level Packaging and Assembly Equipment ($M)	1,731.1	1,806.7	1,805.6	2,068.7	2,439.2
Growth (%)	14.3	4.4	-0.1	14.6	17.9

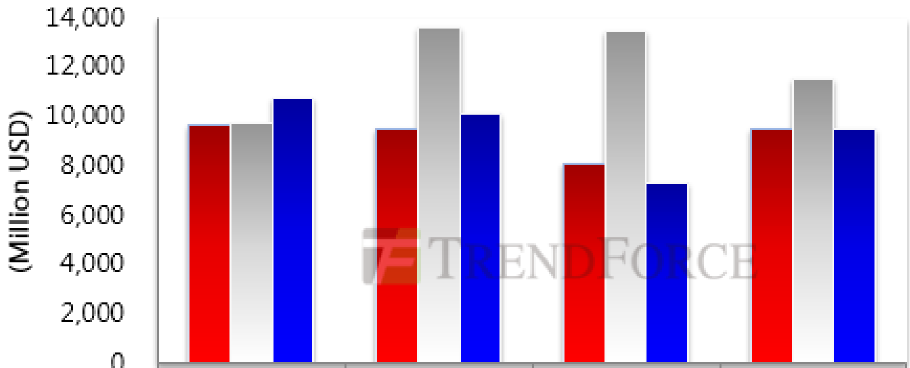
Source: Gartner (January 2016)

2016 spending on wafer-level manufacturing equipment is forecast to decline 2.4 percent. Within the forecast, different segments are expected to fare differently in response to varying end-market conditions. For example, the lithography segment will grow 1.4 percent, while the etch, clean and planarization equipment markets in 2016 are expected to decline by 2.9 percent. The deposition equipment segment will improve slightly in 2016 with negative 3.2 percent growth. Beyond 2016, the market turns positive, with relatively strong growth forecast through 2018.

The revenue of the global semiconductor foundry industry is projected to grow by just 2.1% year on year for 2016 on account of slowing end market demand and expanding supply, according to the global market research firm TrendForce. The competition among major semiconductor manufacturers is therefore going to intensify as well. The total capital expenditure (CAPEX) of the three leading manufacturers – Intel, TSMC and Samsung – is estimated to increase by 5.4% annually this year. U.S.-based Intel is projected to increase its CAPEX by 30% year on year to US$9.5 billion. The CAPEX of Taiwan's TSMC will also reach US$9.5 billion, representing a 17% annual increase. South Korea's Samsung on the other hand is going to scale back its CAPEX by 15% to US$11.5 billion. TrendForce believes the CAPEX undertaken by these major manufacturers during 2016 will be reflected later in their 2017 revenue results.

Figure 8, CAPEX of Global Top Three Semicondutor Manufactures,2013~2016

Figure: CAPEX of Global Top Three Semiconductor Manufacturers, 2013~2016



	2013	2014	2015	2016E
TSMC	9,688	9,522	8,123	9,500
Samsung	9,717	13,595	13,500	11,500
Intel	10,711	10,105	7,300	9,500

Source: TrendForce, Feb., 2016

Source,TrendForce，2016/02

TrendForce expects TSMC to concentrate on advancing its manufacturing technology as it is the only pure-play foundry among the three dominant manufacturers and does not compete directly with its clients. TSMC will allocate about 70% of its 2016 CAPEX on manufacturing-related R&D, with most of this expenditure going towards developing the 10nm process. This shows that TSMC is resolute in being ahead in the race to achieve 10nm manufacturing. Additionally, investments on the integrated fan-out (InFO) wafer-level packaging will account for 10% of the foundry's CAPEX. The InFO technology promises thinner, smaller products with improved heat dissipation and of consistent quality. There are already some clients placing orders specifically for InFO, and the demand for this technology is expected to increase in the near future.

TSMC also intends to move closer to the enormous market in China and will be spending a total of US$3 billion on building a 12-inch wafer fab in Nanjing. The company plans to invest US$500 million into the project this year, and larger investments will follow over the next two years. The Nanjing fab is scheduled to be in operation in 2018.

(1.2)Current Status and Development of IC Industry in Taiwan and China

Taiwan's integrated circuit sector output topped NT$1.17 trillion (US$34.8 billion) in 2015, up 6.2 percent from 12 months before for a record high, according to the ROC Ministry of Economic Affairs Jan. 25.

The latest MOEA statistics revealed that dedicated IC foundries contributed 85.06 percent, or NT$995.3 billion, of sector output—also a record high and up 9.7 percent from 2014. This is followed by dynamic random-access memory at NT$136.5 billion, down 12.6 percent year on year, and other IC manufacturing at NT$38.3 billion, 0.8 percent lower for the same period.

Taiwan Semiconductor Manufacturing Co. Ltd. was the sector's clear leader, with its US$25.18 billion in revenues comprising 53.7 percent of overall output. It was followed by United Microelectronics Corp., also based in Hsinchu City, at 9.9 percent and Silicon Valley-headquartered GlobalFoundries Inc. at 9.4 percent.

Collectively, Taiwan firms accounted for 67 percent of the global market, up from 64 percent from the previous year. (SFC-JSM)

Figure 9, Taiwan IC output

PS.Estimation for 2015 Dec

Source, MOEA statistics, ROC Ministry of Economic Affairs, Jan 2016

IC Exports from Taiwan amounted to US$69.5 billion in 2015, down by -3.9% since 2014, 24.8% of overall export value. Based on statistics from the International Monetary Fund's World Economic Outlook Database, China and Hong Kong is the main export region by 50%, down by -8.1% since 2014. Singapore is second region by 26%, down by -12.3% and South Korea is 10.5%. Specially, Japan had increase 28.6% to over export value of 9.3% due to big demand in processor, controller (HS 854231), and IC (HS 854239).

Table 13, Taiwan IC products output

Expressed in hundred millions of NTD

Time	Integrated Circuit industry	Annual Rate (%)	Foundry	Annual Rate (%)	DRAM	Annual Rate (%)	IC(not include DRAM)	Annual Rate (%)
2011	7,070	-14.0	5,456	-6.7	1,069	-39.8	420	-18.2
2012	7,653	8.2	6,375	16.8	827	-22.6	385	-8.2
2013	8,892	16.2	7,411	16.3	1,155	39.7	397	3.1
2014	11,021	23.9	9,073	22.4	1,562	35.2	386	-2.7
2015	11,701	6.2	9,953	9.7	1,365	-12.6	383	-0.8

PS.Estimation for 2015 Dec

Source, MOEA statistics, ROC Ministry of Economic Affairs ,Jan 2016

The ITRI-IEK estimated that Taiwan IC revenue in 2015 will reach NT$2,640B (US$71B) (2.8% increase from 2014), with 592.7B in design (US$18.6B) (up 2.8%), NT$1,230B in manufacturing (US$38.6B) (4.9.4% growth), NT$309B in packaging (US$9.7B) (1.9% decrease), and NT$131.4B in testing (US$4.1B) (decrease 4.7%). Exchange rate NTD/USD is 31.9

Table 14: Sales of Taiwan IC industry in Taiwan, 2015

NTD 0.1billion；%

Expressed in hundred millions of NTD	15Q1	QoQ	YoY	15Q2	QoQ	YoY	15Q3	QoQ	YoY	15Q4	QoQ	YoY	2015	YoY
IC Output Value	5,706	-3.3%	20.5%	5,559	-2.6%	0.9%	5,743	3.3%	-2.4%	5,632	-1.9%	-4.6%	22,640	2.8%
IC Design industry	1,360	-9.6%	8.5%	1,397	2.7%	-4.1%	1,562	11.8%	0.8%	1,608	2.9%	6.8%	5,927	2.8%
IC Manufacturing	3,259	-0.5%	32.6%	3,054	-6.3%	6.0%	3,059	0.2%	-1.8%	2,928	-4.3%	-10.6%	12,300	4.9%
Wafer foundry	2,648	-1.2%	46.5%	2,491	-5.9%	12.5%	2,524	1.3%	3.5%	2,430	-3.7%	-9.3%	10,093	10.4%
IC Memory Manufacture	611	2.3%	-6.1%	563	-7.9%	-15.3%	535	-5.0%	-21.1%	498	-6.9%	-16.6%	2,207	-14.8%
IC Packaging	767	-2.9%	8.0%	778	1.4%	-4.5%	787	1.2%	-6.9%	767	-2.5%	-2.9%	3,099	-1.9%
IC Testing	320	-3.0%	1.6%	330	3.1%	-8.6%	335	1.5%	-10.2%	329	-1.8%	-0.3%	1,314	-4.7%
IC Product Output Value	1,971	-6.2%	3.5%	1,960	-0.6%	-7.6%	2,097	7.0%	-5.8%	2,106	0.4%	0.2%	8,134	-2.6%
Growth rate in the Semiconductor Industry Worldwide	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.2%

Source,TSIA、IEK，2016/02

Table 15: Sales of IC industry in Taiwan, 2010 to 2015

0.1B NTD: %

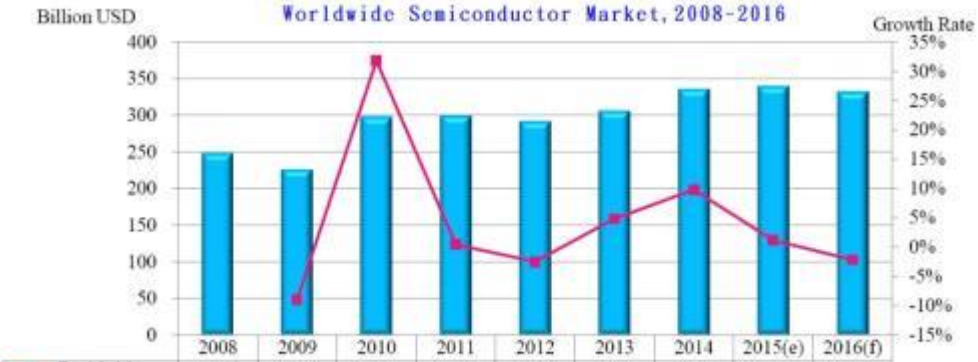
Expressed in hundred millions of NTD	2010	2010 YoY	2011	2011 YoY	2012	2012 YoY	2013	2013 YoY	2014	2014 YoY	2015	2015 YoY	2016	2016 YoY
IC Output Value	17,693	38.3%	15,627	-11.7%	16,342	4.6%	18,886	15.6%	22,033	16.7%	22,640	2.8%	23,191	2.4%
IC Design industry	4,548	17.9%	3,856	-15.2%	4,115	6.7%	4,811	16.9%	5,763	19.8%	5,927	2.8%	6,202	4.6%
IC Manufacturing	8,997	56.0%	7,867	-12.6%	8,292	5.4%	9,965	20.2%	11,731	17.7%	12,300	4.9%	12,459	1.3%
Wafer foundry	5,830	42.8%	5,729	-1.7%	6,483	13.2%	7,592	17.1%	9,140	20.4%	10,093	10.4%	10,744	6.5%
IC Memory Manufacture	3,167	88.1%	2,138	-32.5%	1,809	-15.4%	2,373	31.2%	2,591	9.2%	2,207	-14.8%	1,715	-22.3%
IC Packaging	2,870	30.6%	2,696	-6.1%	2,720	0.9%	2,844	4.6%	3,160	11.1%	3,099	-1.9%	3,170	2.3%
IC Testing	1,278	32.3%	1,208	-5.5%	1,215	0.6%	1,266	4.2%	1,379	8.9%	1,314	-4.7%	1,360	3.5%
IC Product Output Value	7,715	39.2%	5,994	-22.3%	5,924	-1.2%	7,184	21.3%	8,354	16.3%	8,134	-2.6%	7,917	-2.7%
Growth rate in the Semiconductor Industry Worldwide	-	31.8%	-	0.4%	-	-2.7%	-	4.8%	-	9.9%	-	-0.2%	-	1.7%

Source,TSIA、IEK，2016/02

According to WSTS research, Worldwide Semiconductor revenue in 2015 slightly increases

1.2% (33.99B USD). Estimate it will ◦ decrease 2.2% to 33.24 B USD in 2016 due to bad sales of two main end products.

Figure 10, Worldwide Semiconductor Industry Revenue

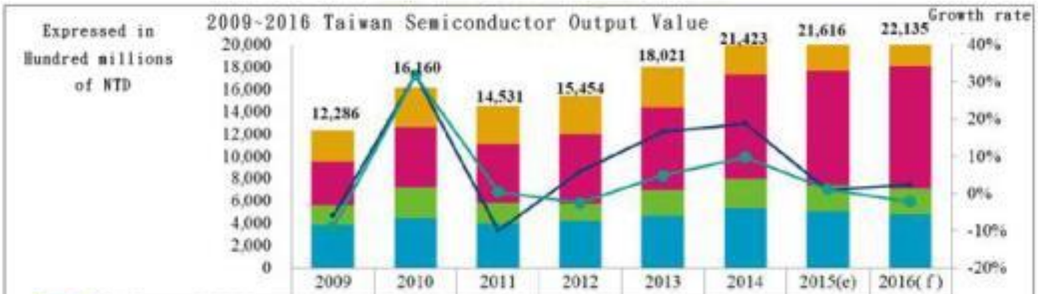


	2008	2009	2010	2011	2012	2013	2014	2015(e)	2016(f)
Worldwide Semiconductor	248.6	226.3	298.3	299.5	292.0	306.0	336.0	339.9	332.4
Growth Rate YoY		-9.0%	31.8%	0.4%	-2.5%	4.8%	9.8%	1.2%	-2.2%

Source,WSTS，MIC，2015/12

According to MIC research institution, the Worldwide revenue of IC industry in 2015 reached 2,161.6 billion (1.2% grow compared with 2014). Taiwan IC industry slight grow 0.9% . MIC indicates it because of weak demand and price of DRAM in memory IC. In addition to slow development of advanced process, Taiwan alsolose some part of order.

Figure 11, Taiwan IC Revenue from 2009 to 2016



	2009	2010	2011	2012	2013	2014	2015(e)	2016(f)
IC Testing and Packing	2,726	3,517	3,387	3,477	3,666	4,086	4,004	4,076
IC Manufacturing Wafer Foundry	3,980	5,422	5,298	6,197	7,402	9,332	10,183	10,987
IC Manufacturing Memory	1,731	2,789	1,861	1,589	2,295	2,695	2,335	2,284
IC Design	3849	4,432	3,985	4,191	4,658	5,310	5,094	4,788
Taiwan Semiconductor Growth(YOY)	-6.0%	32.0%	-10.0%	6.0%	16.6%	18.9%	0.9%	2.4%
Global Semiconductor Growth(YOY)	-9%	31.8%	0.4%	-2.5%	4.8%	9.8%	1.2%	-2.2%

Source, MIC，Dec 2015

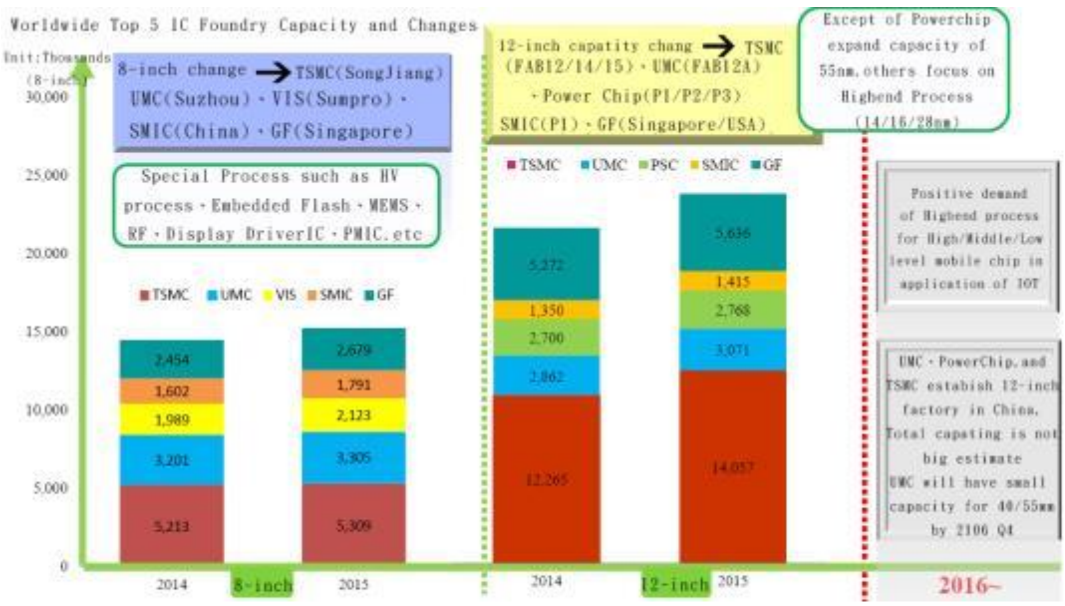
As Figure 12 shows that sum revenue of top 10 Taiwan IC design company occupies 78% of whole Taiwan IC design revenue. Top 1 is MediaTek, which even exceed 40% of whole revenue. MIC notes that sharply growth of China IC design industry, it will be a strong rival to our panel driver IC industry in Taiwan.

Figure 12, Analysis of Taiwan IC Design Sector

Source, MIC，2015/12

As the Figure 13 shows ICmanufactur sector, TSMC still is a pioneer of IC foundry .

Figure 13 , Worldwide Top 5 IC Foundry Capacity



Source, SEMI，MIC，Dec 2015

IC Insights recently released its new Global Wafer Capacity 2016-2020 report that provides in-depth detail, analyses, and forecasts for IC industry capacity by wafer size, by process geometry, by region, and by product type through 2020. In 2008, 300mm wafers took over as the industry's primary wafer size in terms of total surface area used. Furthermore, the number of 300mm wafer fabrication facilities in operation continues to grow and is expected to reach 100 this year

Some highlights regarding 300mm wafer fabs are shown below.

A couple fabs that were scheduled to open in 2013 were delayed until 2014. That, in conjunction with the closure of two large 300mm fabs by ProMOS in 2013, caused the number of active volume-production 300mm fabs to decline for the first time in 2013.

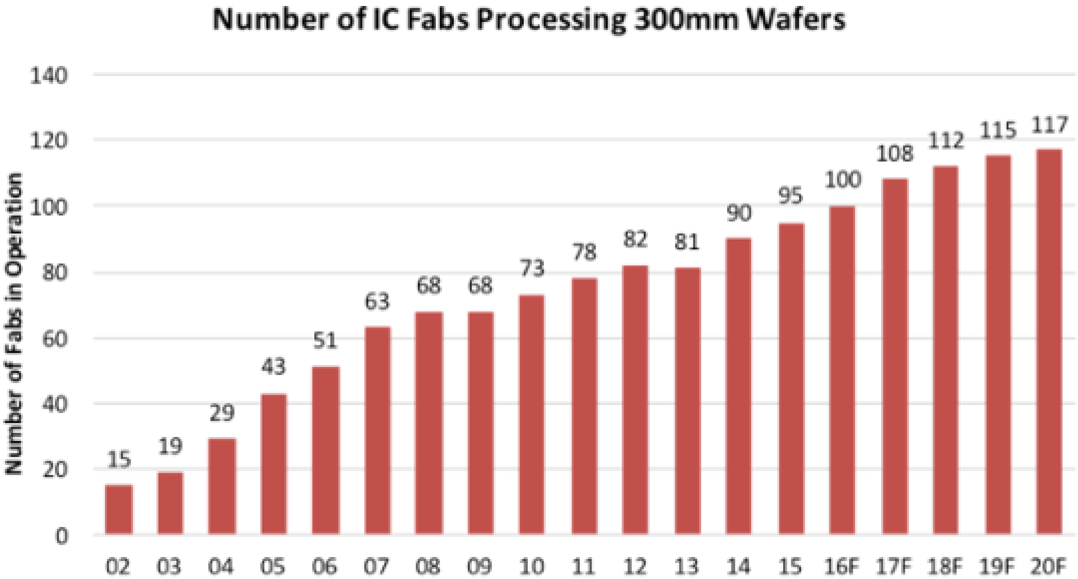
At the end of 2015, there were 95 production-class IC fabs utilizing 300mm wafers (there are numerous R&D IC fabs and a few high-volume fabs that make “non-IC” products such as CMOS image sensors using 300mm wafers, but these are not included in the count).

Currently, there are eight 300mm wafer fabs scheduled to open in 2017, which would be the highest single-year increase since 2014 when nine 300mm fabs were added.

By the end of 2020 there are expected to be 22 more 300mm fabs in operation, bringing the total number of 300mm fabs used for IC fabrication to 117. If 450mm wafers enter production, the peak number of 300mm fabs may be somewhere around 125. For comparison, the highest number of volume-production 200mm wafer fabs in operation was 210 (in December of 2015 there were 148).

Today’s 300mm wafer fabs can be huge, but they are being equipped in a modular format, with each “module” generally having the capacity to process somewhere around 25K-45K wafers per month. Each module is closely connected to nearby fab modules. TSMC has perfected this modular approach, with its Fab 12, 14, and 15 sites being expanded in phases.

Figure 14, Number of IC Fabs Processing 300mm Wafers



Includes pilot- and volume-production-class, but not R&D, fab facilities (IC fabs only). Phases are counted as separate fabs (e.g., TSMC's Fab 14 has six phases for a total of 350K w/m).

Source: IC Insights

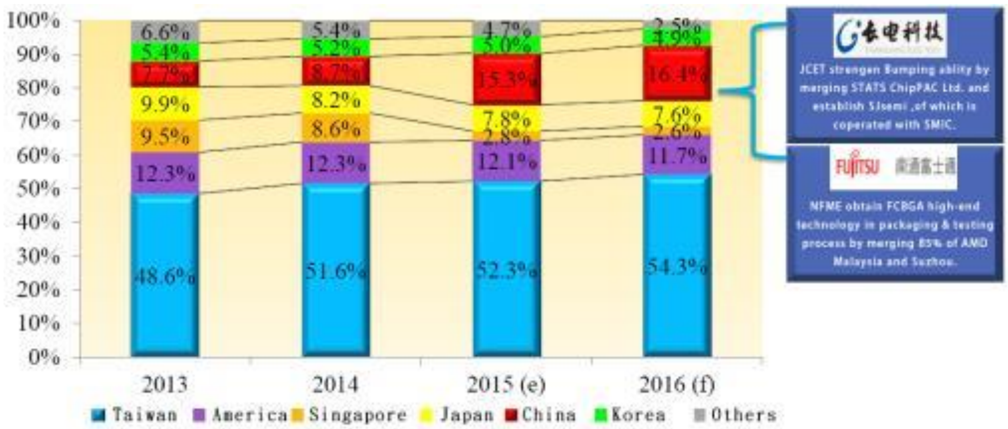
Source, IC Insights，2016/04

Development of 450mm wafer technology continues to progress toward production, albeit at a tempered pace. Since lithography is one of the biggest challenges in the 450mm wafer transition, ASM Lithography’s announcement in March 2014 that it would temporarily hold off on the development of equipment for 450mm wafers made some in the industry believe it was a signal that the transition would never happen. ASML reported also that the decision to postpone its 450mm development program was made at the request of its customers.

IC Insights does not believe that ASML’s announcement, along with a couple other signs of a pause in 450mm development, means the 450mm wafer transition won’t happen, but they do indicate that the pilot production status for 450mm won't be reached until probably 2019. Volume production might start two to three years after that.

As Figure 15 indicates that Taiwan plays a role of pioneer in IC pack and test industry by enhancing advanced technology and capacity in global market. On the other hand, strong driving force in China by government localization policy. Merge and acquisition fasten penetration of China in industry. However, utility and stability of high-end technology is still key work for China in a long term development.

Figure 15, Worldwide packing and testing penetration by regions, 2013 to 2016

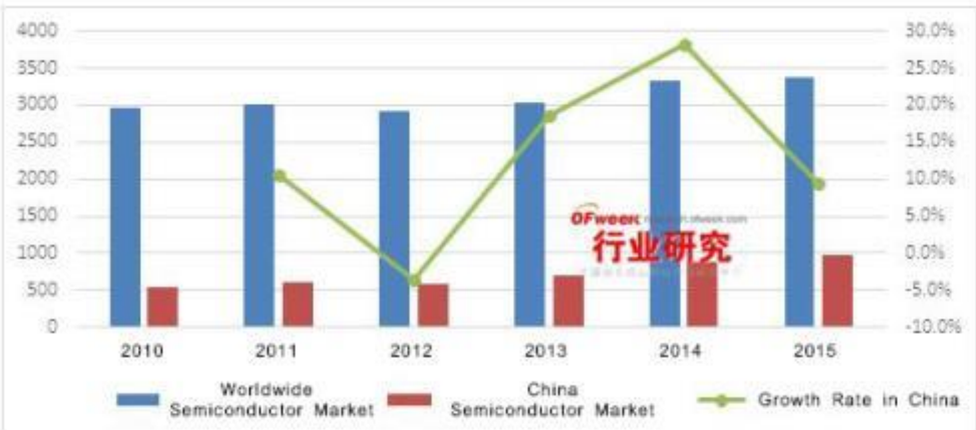


Source, MIC，2015/12

China made RMB 361 bn-worth of ICs in 2015, reports the China Semiconductor Industry Association (CSIA), sharply increase by 19.7%. Of which includes local, international cooperation, and some others join venture company with locals.

Figure 16,2010-2015Worldwide and China IC market size

（100 million USD）

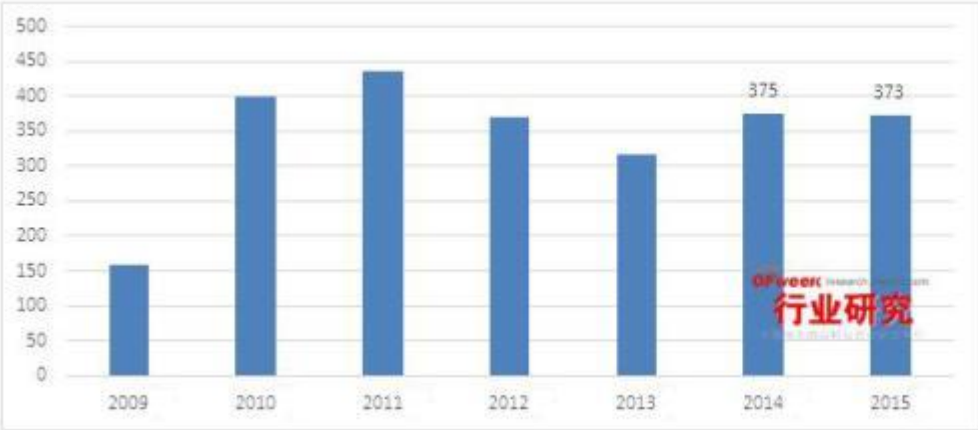


Source,：OFweek，2016/02

According to OFweek, worldwide IC output reach 337.3 billion USD, slightly up 1.1% of 336 billion USD since 2014. China market continue making 18.7%, 28.2%, and 9.5% increase in past three years. Market size reach to 97.6 billion USD in 2015. It was 58.5 billion USD in 2012.

Figure 17, Global Semiconductor Equipment Sales

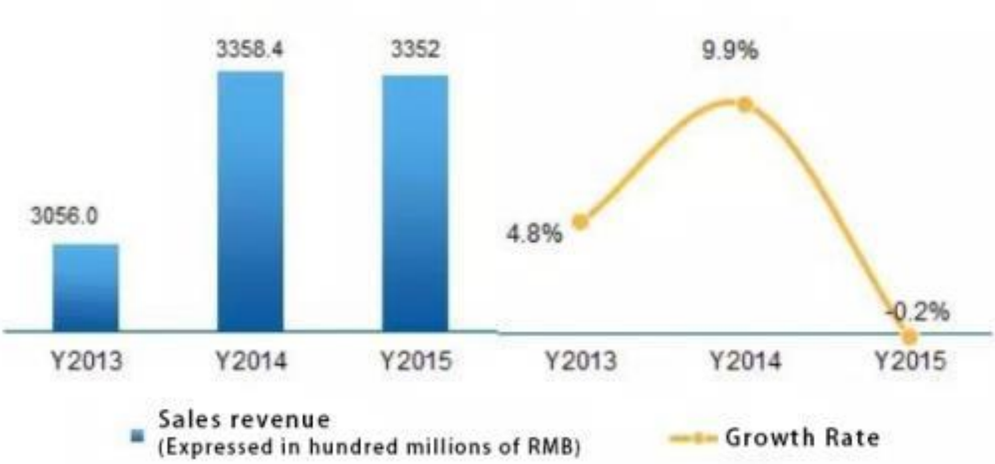
（100 million USD）



Source, OFweek，2016/02

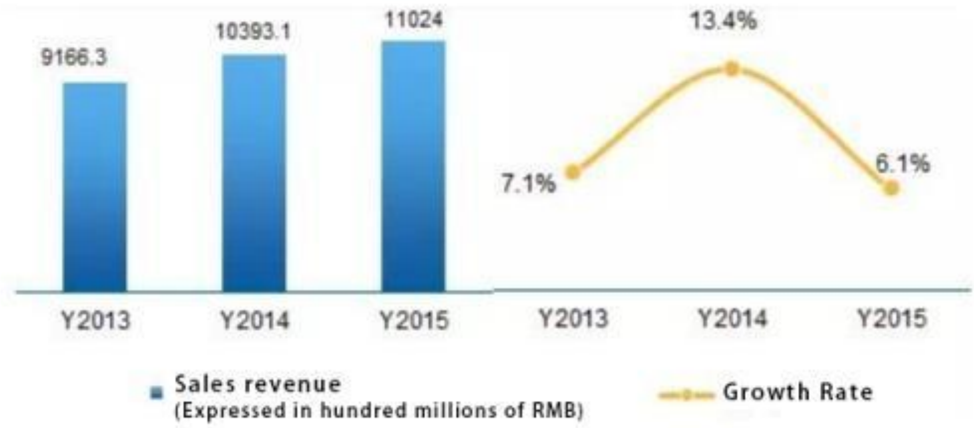
According to SIA report, worldwide IC total revenue in 2015 reach335.2 billion USD, reduce 0.2% since last year. It impacted by slow demand of PC and smart phone. IDC also indicates that global revenue of PC decrease 10.3%, due to IC market in Japan and Europe slow demands. However, China IC market still break record to 1,102.4billion USD, increase 6.1% since last year, and turn to be a positive market among many other negative market.

Figure 18, Worldwide IC market and growth



Source, SIA ，2016/03

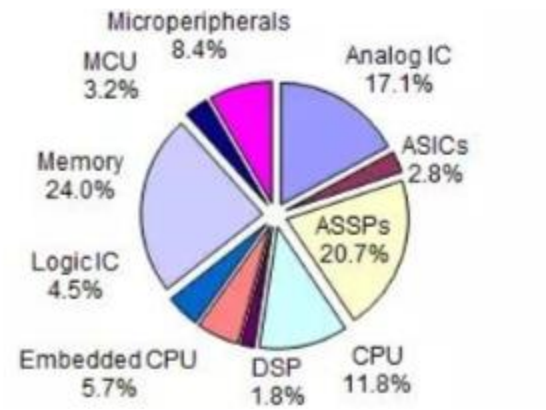
Figure 19, China IC market and growth



Source, National Bureau of Statistics of the People's Republic of China, 2016 /03

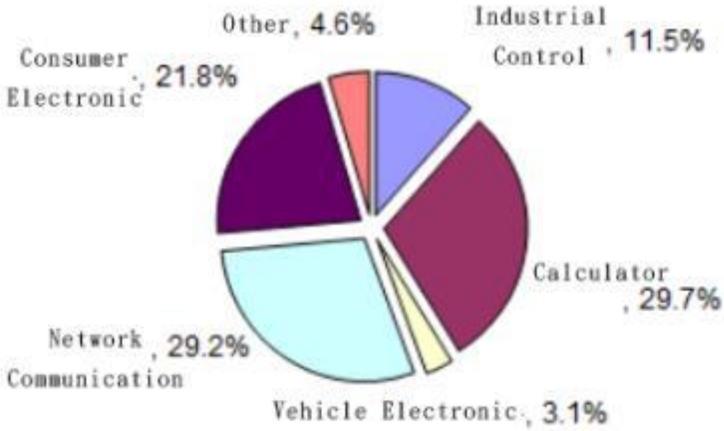
In product segmentation, memory IC is 24% of total market share as the biggest portion. Besides, DRAM still have popular demand and each of DRAM maker re-arrange its capacity by different market. By continuing growth of IoT, MCU and Analog IC quickly grow to 19.4% and 12.4% of market share.

Figure 20, China IC products segmentation in 2015



Source, National Bureau of Statistics of the People's Republic of China, 2016 /03 By application segmentation, computer , telecom, and consuming IC occupy 80.7% of market share in China IC market. By growth of internet +, and made in China 2025, new industry is encouraged such as industry control and vehicle electronics, which are leading new growth of China IC market. On the other hand, reduce of global PC sales impact China PC sales decline to 29.7% in 2015.

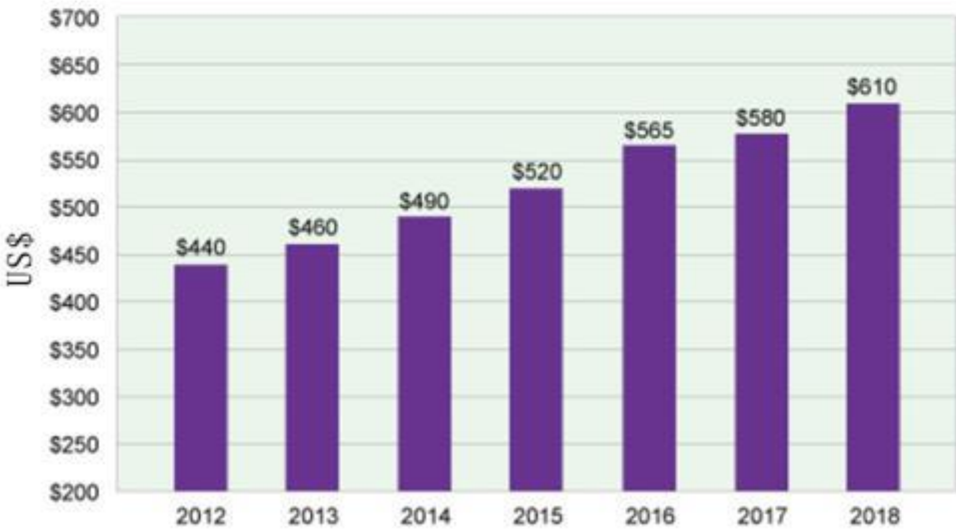
Figure 21, China IC Application in 2015



Source，National Bureau of Statistics of the People's Republic of China，2016 /03

In 2015，China vehicles yield reach 24.5 million, up to 3.3 YoY. Of which new energy vehicles yield reach 0.34 million, strong grow to 3.3% YoY. China IC market in vehicle electronics grow to 32.5% as a top 2 growing market. According to IC Insights，internet , entertainment , energy saving, and security are four momentum montane in growth of IC market. As highly development of vehicle electronics, IC cost of each vehicle estimate grow from 520 USD 2015 to 610 USD by 2018.

Figure 22, IC Cost of each vehicles



Source，IC Insight，2016 /01

China IC revenue in 2015 ststain a highly growth , annual revenue reach US$369.08 B, with US$132.5B in design, US$90B in manufacturing, US$138B in packaging and testing. Hisilicon and Spreadtrum will be ranked into top 10 in Fabless worldwide. SMIC penetrate to 28nm technology in 2015. According to China Customs,

According to China Customs, total amount of importing IC reach 3,13.99, up to+ 10% YoY , gain $USD 2,30.7 b , increase 6% YoY. Total exports of IC is 1,82.76 billion, grow to

+19.1% YoY, gain $ 161.39b E, increase to 13.9% YoY. Unfavorable balance of trade 1,613.9 billion in 2015. China IC self-sufficiency ratio is still low and significantly not improved; the domestic integrated circuit industry task is still arduous.

Figure 23, China IC market and growth forecast, 2016~2018

Source，National Bureau of Statistics of the People's Republic of China，2016 /03

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

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

The latest large-size LCD panel shipment report by WitsView, a division of TrendForce, says a total of 22.73 million units of LCD TV panels were shipped in December 2015, down 0.02% from November and up 4.1% year on year. Iris Hu, WitsView assistant research manager, said that even though TV vendors had finished stocked up for the peak season, shipments remained strong throughout the fourth quarter due to high capacity utilization by panel makers and falling prices. Fourth-quarter TV panel shipments totaled 68.4 million units, down just 0.96% from the previous quarter. Among the large-size panel applications, the TV market had the best shipment performance for 2015, growing by 8.9% year on year to 269.8 million units in total. This significant increase in TV panel shipments was attributed to new Chinese Gen-8.5 fabs entering operation during the year and contributing to the supply.

LGD won back the title of top TV panel supplier for 2015 and Innolux took No. 2 in the worldwide ranking with its remarkable performance

Last year, LG Display (LGD) made the strategic decision to reduce its reliance on orders from its group company, LG Electronics (LGE), and instead committing to the long-term development of the Chinese market. This strategy paid off handsomely despite Chinese competitors putting up a formidable challenge. LGD retook the title of top TV panel supplier worldwide in 2015 by maintaining growth in its shipments, which went up by 6.4% year on year to 55.3 million units.

Innolux also had a stellar 2015 owing to the procurement of 23.6-inch TV panels by the Mexican government and its cost advantage in the manufacturing of the 39.5-inch TV panels. The increase in the production of 39.5-inch panels in turn helped the panel maker capture more market share. Innolux's annual TV panel shipments for 2015 reached a record high of 51.73 million units, representing a 3.1% year-on-year growth. Innolux was able to overtake Samsung Display Corp. (SDC) to become the No. 2 supplier in the annual worldwide ranking for the first time.

SDC's TV panel shipment performance suffered in 2015 as its group company Samsung Electronics sell-in shipments were lower than anticipated. With the sharp drop in procurement orders, SDC's annual TV panel shipments retreated by 8% to 50.9 million units. After a hard struggle to become the world's top TV panel supplier in 2014, SDC was forced to yield the title and moved down two spots to third place.

Shipments began to soar for major Chinese panel makers BOE Technology (BOE) in March last year, when its new Gen-8.5 fab in Chongqing entered operation. In addition to its overwhelming capacity advantage, BOE has also been receiving government subsidies. Hence, it was able to step up its shipments through 2015 even as prices of TV panels were plummeting. BOE saw an explosive annual growth of 148.5% for its 2015 shipments of TV panels, and it held its position firmly as the fourth-largest TV panel supplier in the annual ranking.

AU Optronics (AUO) had made the decision to reduce the share of panels under 40 inches in its shipments and focus on developing high-margin products, such as UHD panels and 55- and 65-inch panels. As a result, its TV panel shipments for 2015 totaled just 27.18 million units, down 5.6% year on year.

China Star Optoelectronics Technology (CSOT) also added a new Gen-8.5 fab last year, but the fab did not achieve the expected production volume. Also, the panel maker's shipments of 32-inch panels were affected for a while due to floor cracks in another fab. Nonetheless, CSOT managed to make a recovery at the end of third quarter and increased its annual TV panel shipments slightly by 3.5%, totaling 25.52 million units. The Chinese panel maker held the sixth spot in the ranking for 2015.

Table 16, TV Panel Shipments from Top Six Panel Makers Worldwide, 2014~2015

Panel Maker	2014	2015	2015 YoY
LGD	51.95	55.30	6.4%
Innolux	50.16	51.73	3.1%
SDC	55.36	50.90	-8.0%
BOE	14.35	35.66	148.5%
AUO	28.78	27.18	-5.6%
CSOT	24.66	25.52	3.5%
Total (Unit: Million)	247.67	269.79	8.9%

Source: WitsView, Jan., 2016

The global LCD TV market had a dismal 2015. Rising prices of imports caused by currency depreciation was a major force that dragged down consumer spending in Europe and the emerging markets. As a result, the European LCD TV market was too weak to help sustain the overall demand as anticipated, and sell-through in the emerging markets kept falling throughout the year. China, another major market, was also seeing slowing demand and the overall sales results there were also far below expectations. According to the latest reporting by WitsView, a division of TrendForce, global shipments of LCD TV sets for 2015 totaled 215 million, down 0.6% from 2014 and representing a decline for the first time since 2013.

WitsView Research Manager Ricky Lin said 2016 will be a year of mixed blessing for the LCD TV market. “Presently, the biggest concern is the interest rate hike by the U.S. Federal Reserve,” Lin noted. “This would further erode consumers’ purchasing power in markets with weak currencies and in turn could cause a heavy impact on TV shipments.”

On the other hand, the recent decline in LCD panel prices may boost the profitability of TV sets. “Brands could lower their manufacturers’ suggested retail prices (MSRP) to reflect the falling panel costs, thus bringing about a surge of TV buying during the coming peak season,” Lin added. Large-size LCD TVs, for instance, have become economical for consumers, and the reduction in their prices will spur the demand to replace small-size sets with large ones. WitsView’s estimates that shipments of LCD TVs for the entire 2016 will reach 222 million sets, up 3.3% year on year.”

South Korean brands Samsung Electronics and LG Electronics held on to their respective first and second place positions in the global shipment ranking for 2015, though both also posted annual declines. The leader Samsung shipped 48 million sets, down 1.2% from a year ago; while LGE shipped 30 million, down 7.8%. With the currencies of the emerging market still being weak, Lin expects major TV brands to scale back their shipments and reduce their inventory levels as to minimize the losses caused by the foreign exchange differences.

China-based brands TCL and Hisense both jumped in the shipment ranking by one spot and overtook Japan’s Sony. TCL became the No. 3 LCD TV brand worldwide with of 13.1 million sets shipped, showing a slight year-on-year increase of 0.2%. Hisense climbed to the fourth place with 12.8 million sets shipped, up 1.6% from 2014. In addition to being supported by domestic demand, Chinese brands also acquired other well-known international brands as part of their overseas strategies. With these acquisitions, they have raised their brand awareness globally and will be able to access new export channels later on.

Sony was knocked down to fifth place in the ranking with 12.1 million sets shipped in 2015, amounting to an annual decline of 19.3%. Since Chinese and South Korean brands produce TV sets at much lower costs, Sony is now focusing on raising the product margins rather than shipment growth as its main goal.

Table 17, Top 5 LCD TV Brands Worldwide by Shipments in 2014 and 2015

Company	2015		2014		YoY
	Ranking	Shipments	Ranking	Shipments	
Samsung	1	47.9	1	48.5	-1.2%
LGE	2	29.4	2	31.9	-7.8%
TCL	3	13.1	4	13.1	0.2%
Hisense	4	12.8	5	12.6	1.6%
Sony	5	12.1	3	15.0	-19.3%
Others	99.7		95.2		4.7%
Shipment Total (in million sets)	**215.0**		**216.3**		**-0.6%**

Source: WitsView, Jan.,2016

Besides competitive prices, the upgrade in resolution technology is another factor driving the sales of large-size LCD TVs. WitsView estimates that the penetration rate of 4K TVs worldwide will reach 23.8% this year, rising considerably from 13.7% in 2015. Furthermore, the global shipments of 4K TVs for 2016 are forecast to total around 53 million sets. As 4K video content gradually matures and getting more demands, North America is likely to become another fiercely contested market for competing brands this year besides China.

Shipments of LCD TVs sized above 50 inches are expected to grow nearly 40% YoY in 2016 due to the trend towards larger TV sizes

Based on WitsView's projection, the share of 32-inch products in the combined shipments of the top 15 LCD TV brands will be at 26% this year, showing a 4.7% point drop from last year.

LCD TVs sized 40~45 inches by contrast will see their share in the combined shipments expand to almost 30%, surpassing the 32-inch to become the mainstream size segment in the market.

The market for LCD TVs sized 46 to 50 inches will face constrained growth due to the falling prices of TV sets in the larger, 55-inch segment. The promotional activities for TVs in the 46- to 50-inch size range would therefore become less effective as their price gap with the 55-inch products narrows. Consumers would view TV sets above or below this size range as the more economical choice.

On the whole, the share of large-size products (those sized above 50 inches) in the combined shipments of the 15 LCD TV brands is projected to reach 19.4%. The large-size segments are therefore still the major battlegrounds among vendors, with prices becoming more consumer-friendly. For instance, consumers would be able to buy a 55-inch set this year for about the same price they paid for a 50-inch set last year.

Table 18, Combined LCD TV Shipments from Top 15 Brands by Sizes, 2015~2016

(in K units)

TV Set Sizes (in inches)	2015		2016(E)		YoY
	Shipments	Market Share	Shipments	Market Share	
31-35	56,400	30.7%	49,032	26.0%	-13.1%
40-45	49,897	27.1%	55,165	29.2%	10.5%
46-50	34,095	18.5%	37,832	20.0%	11.0%
>50	26,381	14.3%	36,603	19.4%	38.7%

Source: WitsView, Apr., 2016

The market for LCD panels for IT applications (monitors and notebooks) was generally quite sluggish during 2015. There was also a lack of interesting products that could stimulate replacement activities. According to the latest large-size LCD panel shipment report from WitsView, a division of TrendForce, global shipments of monitor panels for 2015 fell 11% year on year to 142.2 million units. Global shipments of notebook panels were also down 8% from 2014 to 176.1 million units.

WitsView's report indicates that in-plane switching (IPS) technology stood out as one of few specification features that monitor vendors were able to use to differentiate their products during the slump in 2015.

South Korea's LG Display (LGD), which has a technological edge in manufacturing IPS panels, shipped 41.5 million units of monitor panels in 2015, holding on to almost 30% of the global market. By maintaining a large shipment lead over the Taiwanese panel makers, LGD was ranked the top supplier of monitor panels for the year.

Taiwan's AU Optronics (AUO) beat its compatriot Innolux to become the No. 2 supplier of monitor panels for 2015 with 26 million units shipped. AUO's success was attributed to having products for every segment of the monitor market, from the high-end to the low-end.

Last year, Innolux encountered difficulties in its efforts to promote monitor panels featuring vertical alignment (VA) technology. The panel makers also faced strong competition from Chinese rivals in its main product segments. Hence, Innolux's monitor panel shipments for 2015 plummeted 28% year on year to just 25.5 million units. It slid to No. 3 in the shipment ranking.

BOE Technology (BOE) was ranked No. 4 in monitor panel shipments with 20.1 million units. BOE's monitor product mix strategy for last year reflected an emphasis on mainstream size segments, such as the 18.5-inch and the 21.5-inch.

Samsung Display Corp. (SDC) shifted towards the high-end of the monitor market. Hence, the panel maker ended up in the fifth place with 19.8 million units shipped.

Table 19, Top Five Monitor Panel Suppliers Worldwide by Shipments for 2014and 2015

Supplier	2014 Shipments	2015 Shipments	2015 YoY
LGD	41.6	41.5	0%
AUO	27.3	26.0	-5%
Innolux	35.5	25.5	-28%
BOE	21.3	20.1	-6%
SDC	20.6	19.8	-4%
Total (in million units)	159.7	142.2	-11%

Source: WitsView, Jan., 2016

WitsView has found that notebook panel shipments for 2015 depended mainly on the dealings between panel makers and notebook vendors since the differences among panel sizes in the notebook application is not as noticeable as in the monitor application.

LGD's notebook panel shipments for 2015 reached 46.6 million units, accounting for 26.5% of the global market. By strengthening its relationships with U.S. notebook vendors, LGD retained its title as the No. 1 notebook supplier worldwide.

Innolux's notebook panel shipments were weak last year because the global notebook panel market suffered rising inventories in the mainstream-size segments. Though the panel maker kept its second-place position in the ranking, its shipments fell 17% year on year to just 41.1 million units. Among the top five suppliers of notebook panels, Innolux had the largest shipment decline in 2015.

AUO has kept up with the trend towards HD displays in the notebook market and quickly shifted to producing Full HD notebook panels. It has also been ahead of its competitors in the development of on-cell touch panel (OTP) technology. The Taiwanese panel maker therefore came in third in the notebook panel shipment ranking for 2015 with a total of 36.7 million units.

By contrast, SDC's strategy in this application market was more conservative. SDC's notebook panel shipments for 2015 stood at 30.3 million units. The relatively average performance put the South Korean panel maker in the fourth place of the ranking.

With its expanded capacity, BOE began aggressively courting U.S. notebook clients in the second half of 2015. Though BOE remained in the fifth place in the ranking, it was the only suppliers among the top five that saw growth in the downbeat market environment. The Chinese panel maker shipped 15 million units of notebook panels in total, up 9% from 2014.

Table20, Top Five Notebook Panel Suppliers Worldwide by Shipments for 2015 and 2015

Supplier	2014 Shipments	2015 Shipments	2015 YoY
LGD	51.1	46.6	-9%
Innolux	49.4	41.1	-17%
AUO	39.1	36.7	-6%
SDC	32.4	30.3	-7%
BOE	13.9	15.1	9%
Total (in million units)	191.6	176.1	-8%

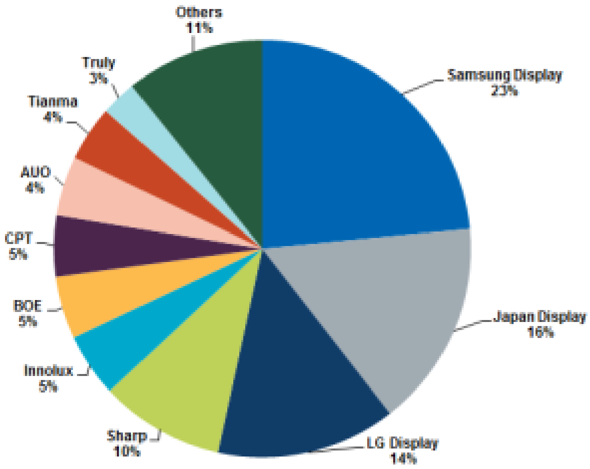
Source: WitsView, Jan., 2016

Year-over-year unit-shipment growth in the small and medium display market was flat in 2015, reaching 2.8 billion units; revenue rose 4 percent over the previous year, to reach $43.9 billion. Samsung Display led the 9-inch-and-smaller display market in 2015, with 23 percent of all revenue, followed by Japan Display at 16 percent, LG Display at 13 percent and Sharp at 10 percent, according to IHS Inc. (NYSE: IHS), the leading global source of critical information and insight.

While overall small-medium display unit shipments did not grow in 2015, increasing demand for high-resolution smartphone displays caused active-matrix organic light-emitting diode (AMOLED) display unit shipments to grow 54 percent, and low-temperature polysilicon thin-film transistor (LTPS TFT) LCD display unit shipments to rise 10 percent, over the previous year. As AMOLED and LTPS TFT LCD shipments rose, however, amorphous silicon (a-Si) TFT LCD shipments declined 10 percent year over year in 2015, according to the latest IHS Small-Medium Display Market Tracker.

"To compete in the increasingly saturated small-medium display market, smartphone manufacturers are shifting from a-Si TFT display technology to high-performance displays that rely on AMOLED and LTPS TFT technology," said Hiroshi Hayase, senior director, IHS Technology. "In fact, with Apple's iPhone line reportedly relying on AMOLED in the future, Japan Display and Sharp officially announced that by 2018 they would invest in mass production of AMOLED displays, joining leading AMOLED suppliers Samsung Display and LG Display."

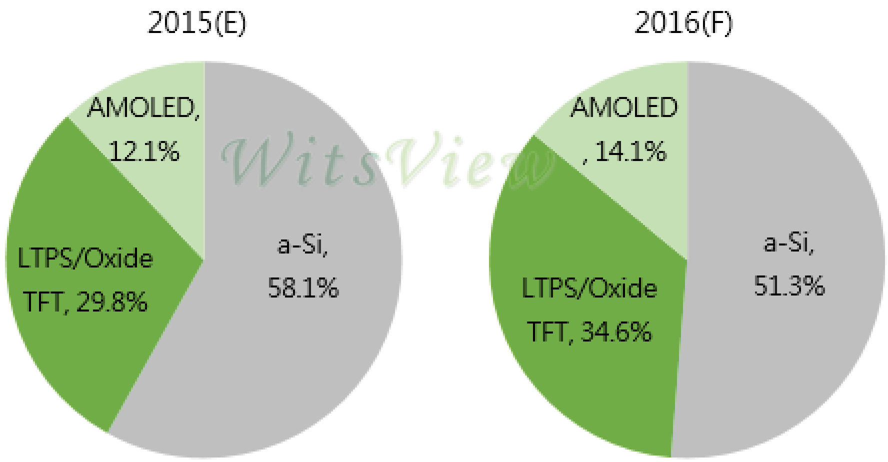
Figure 24, Share of Small Medium Display Revenue



Source：HIS Small-Medium Display Market Tracker，2016/04

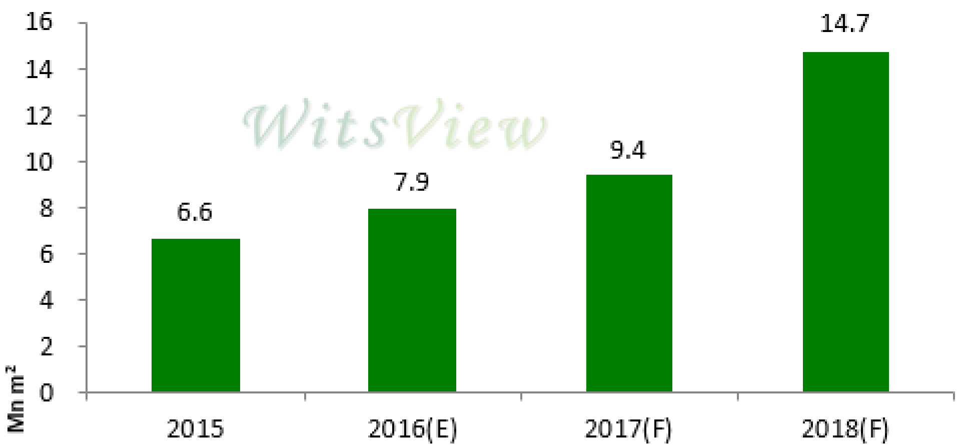
The latest research from WitsView, a division of TrendForce, reveals that shipments of panels for smartphone displays for 2015 are expected to reach 1.82 billion units, and the total shipments for 2016 are forecast to grow 7% year on year to 1.95 billion units. Thin-film transistor (TFT) LCD smartphone panels manufactured with low-temperature polysilicon (LTPS) and oxide TFT technologies are projected to account for 29.8% of the 2015 global smartphone panel shipments. Their share is forecast to expand further to 34.6% in 2016. Samsung Display Corp. (SDC) has been busily promoting the active-matrix organic light-emitting diode (AMOLED) technology, which is estimated to represent 12.1% of smartphone panels shipped worldwide in 2015. For 2016, the share of AMOLED products in smartphone panel shipments will have a chance to grow to 14%.

Figure 25, Worldwide Market Shares of Smartphone Panel Technologies, 2015 vs. 2016



Source, WitsView，2016/01

Figure 26,　Global AMOLED Panel Production Capacity Measured in Area, 2015~2018

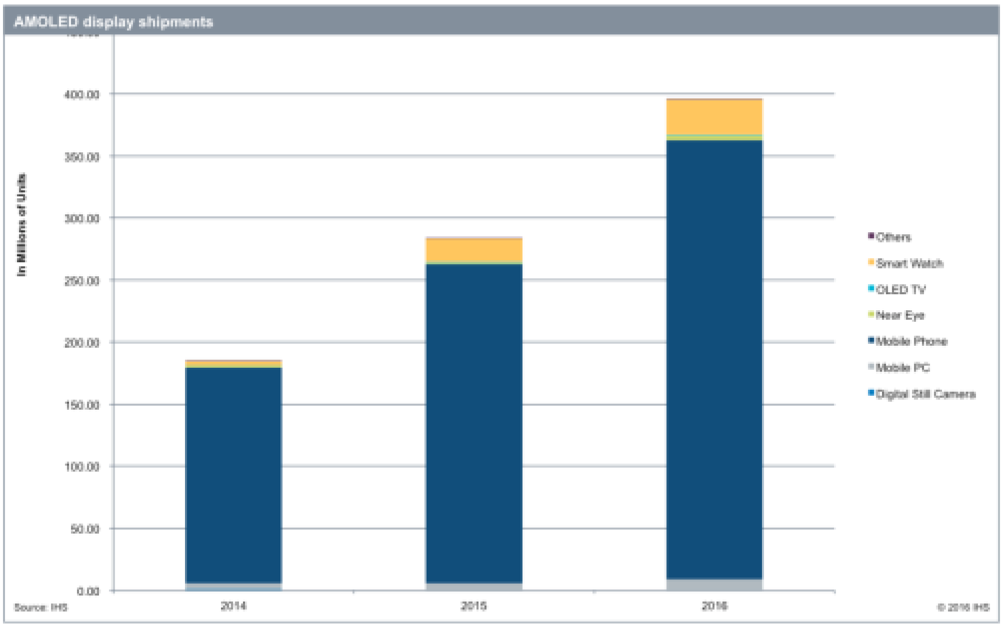


Source, WitsView，2016/03

WitsView, a division of TrendForce, estimates that the global AMOLED panel production capacity by area will reach 7.9 million square meters in 2016, representing a 19.1% year-on-year increase. As panel makers worldwide continue to expand their AMOLED production, the total capacity for 2018 is forecast at 14.7 million square meters.Currently, Samsung Display Corp. (SDC) is the world’s largest supplier of AMOLED panels. WitsView Senior Research Manager Boyce Fan said that SDC previously produced AMOLED panels to satisfy the demand from the Samsung brand group. However, SDC’s capacity outstripped Samsung’s demand in 2015. As a result, SDC increased its sales of AMOLED panels to other smartphone brands, especially the rising Chinese vendors. External customers accounted for 20% of SDC’s total AMOLED sales in 2015 owing to the supplier’s competitive pricing and rising market acceptance

According to the IHS OLED Display Market Tracker, OLED TV shipments will further expand in 2016, thanks to process improvements and production efficiency enhancements, as well as improvements in organic light emitting materials layers. In fact, LG Display is already expanding its AMOLED TV panels to 65 inches with ultra-high definition (UHD), which will bring AMOLED into the high-end TV segment. IHS expects OLED TV display shipments will grow 125 percent, year over year, to reach 900,000 units in 2016.
Tablet and notebook PCs is another important venue for AMOLED, for its slim and light form factor, and high resolution. We expect to see 8-inch and 9.7-inch quad extended graphics array (QXGA) displays and 12-inch AMOLED panels begin to emerge in the mobile PC arena this year. Many PC brands are planning to use AMOLED in notebook PCs and two-in-one convertible mobile PC models beginning in 2016. AMOLED mobile PC panels are expected to grow 63 percent year over year, to reach to 8.6 million units in 2016.

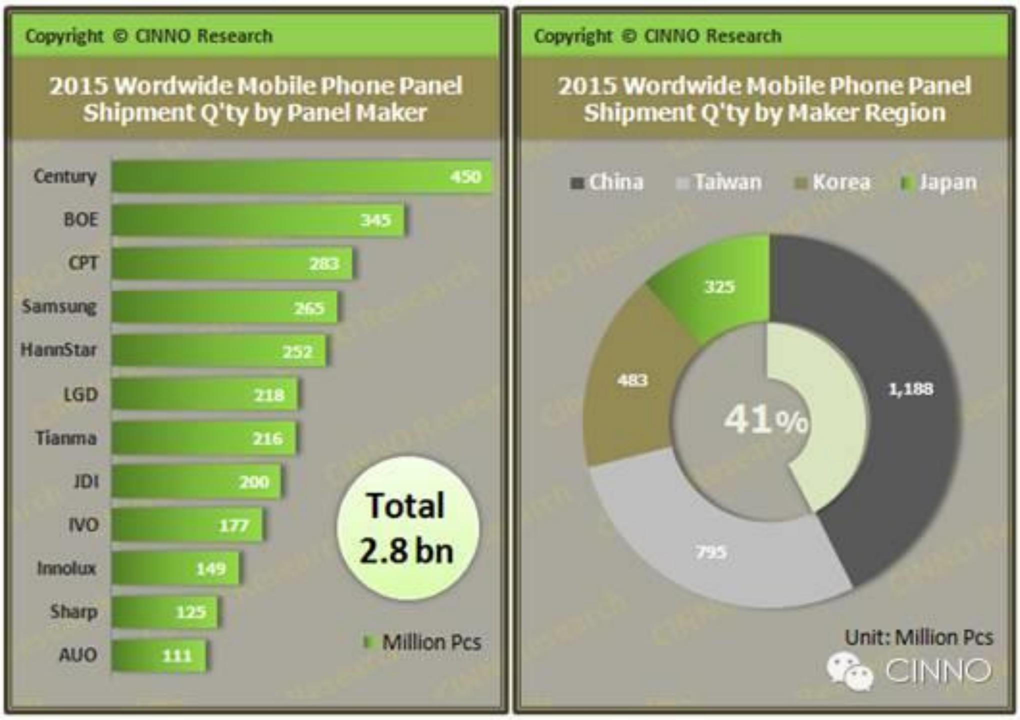
Figure 27, AMOLED display Shipments



Source, IHS，2016/04

According to CINNO Research，quantity of worldwide mobile panel panel shipments reached 27.9bn 2. It increases 1.2% compare with previous year. Ranking of top 2 is as fllow, Century (16%)，BOE (12%), CPT(10%)。

Figure 28, 2015 Worldwide Mobile Phone Panel Shipments



Source：CINNO Research，2016/03

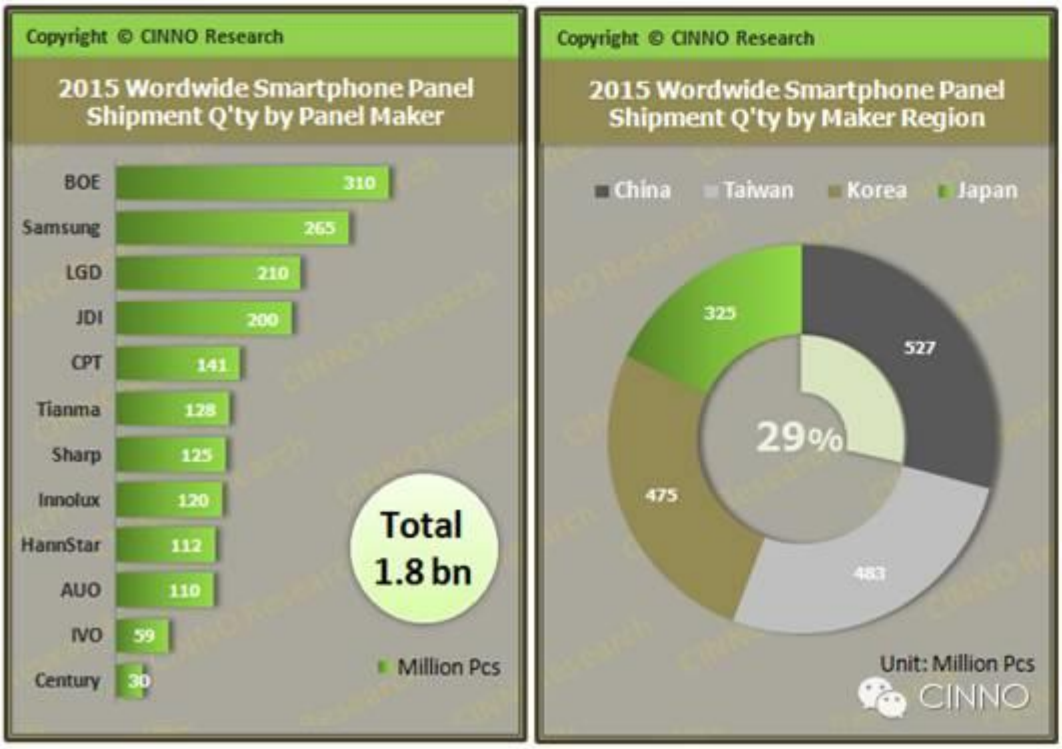
2015 Worldwide Feature Phone Panel Shipments reaches 9.8bn，decreased 16% compared with previous year. Top 3 supplier is Century , CPT, and HannStar. Even every supplier is decreasing theirsles amount, Century still gain 9% increase of yearly shipments.

Figure 29, 2015 Worldwide Feature Phone Panel Shipments

Source：CINNO Research，2016/03

2015 Worldwide smart mobile shipments is 18.1bn，it increased 14.6% compared with 2014.，penetration rate of smart mobile panel increase from 57.3% in 2014, to 64.9% in 2015. Top 3 Panel maker is BOE, Samsung, and LGD.

Figure 30, 2015 Worldwide Smartphone Panel Shipments Q'ty by Panel Maker



Source,CINNO Research，2016/03

Foxconn is expected to occupy approximately 22% of 2016 Q4 global large size panel yield, similar to the levels of Samsung Display and LG Display.

Foxconn, recently confirmed to buy 66% of Sharp's stake for $ 3.5 billion, is estimated to actively invest in improving Sharp's panel competitiveness against Samsung Display and LG Display.

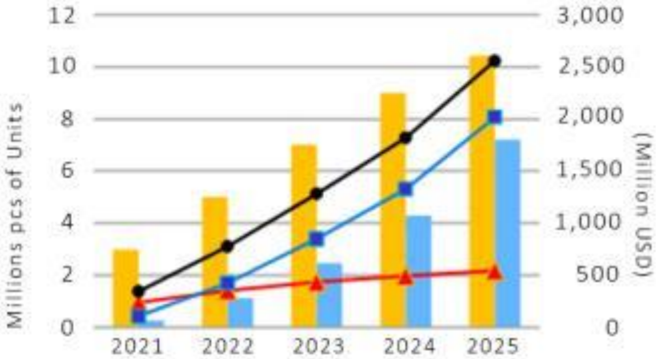
DigiTimes recently reported their research indicates Sharp's large size panel yield will occupy 5.3% of global market in Q4 2016. This places the company on the 7th place after Samsung Display, LG Display, Innolux, AUO, BOE, and CSOT.

However, Sharp and Innolux are under Hon Hai Precision (Foxconn Technology). If the Q4 2016 large size panel yield of Sharp and Innolux are combined, the global occupancy is added to 21.9%. This is approximately the same level as Samsung Display (23.7%) and LG Display (22.7%).

Foxconn is analyzed to be investing in Sharp mainly with focus on OLED. According to a recent DigiTimes article, Foxconn is planning to invest approximately US$ 1.8 billion in OLED development.

DigiTimes estimates that Foxconn will actively begin mass production of OLED for smartphone from 2018, and expand the production to large and medium-sized OLED panel for TV, notebook, etc. Foxconn is forecast to begin shipment of OLED for TV from 2021, and annually ship 7,200,000 units of OLED panel for TV in 2025.。

Figure 31, Sharp under Foxconn, revenue forecast for large & medium size OLED and TV



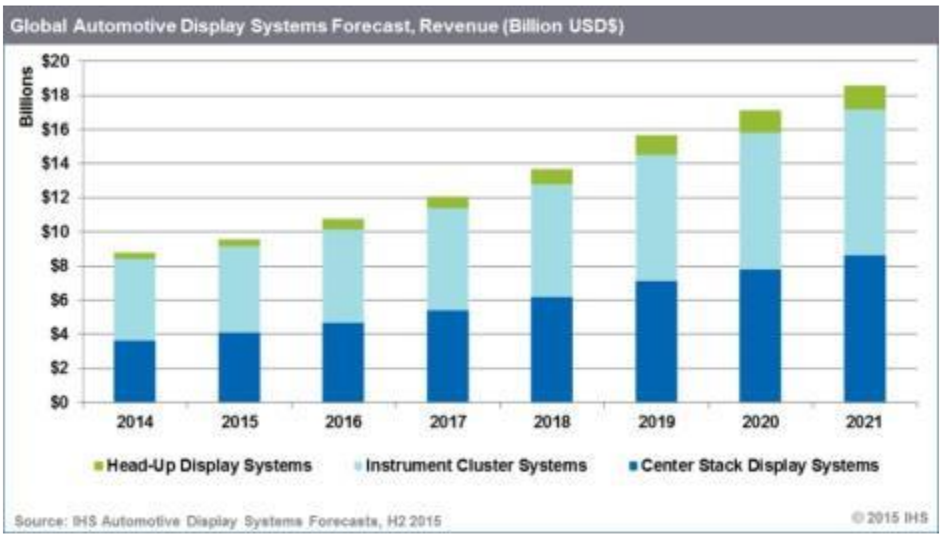
	2021	2022	2023	2024	2025
Large size OLED panel Shipments	3.0	5.0	7.0	9.0	10.4
OLED TV Panel Shipments	0.25	1.12	2.46	4.28	7.20
Large size OLED panel Revenues	238	352	434	491	542
OLED TV Panel Revenues	106	424	849	1,328	2,016
Large size and TV OLED panel Revenues	344	776	1,282	1,819	2,558

Ps. Foxconn-Sharp large size OLED, application in Tablet and NB
Source, 2016/03

Driven by continued innovation in vehicle connectivity and safety technologies, global revenue from automotive display systems will grow at a compound annual growth rate (CAGR) of more than 11 percent to $18.6 billion by the end of 2021. This will add nearly $9 billion in annual revenue compared to 2015, according to IHS Inc. (NYSE: IHS), a leading source of critical information and insight to the global automotive industry.

Data from the Automotive Display Systems Forecasts from IHS represents production of instrument cluster systems, head-up display systems and center stack display systems as full automotive modules, not just display panels. Center stack display systems are expected to account for half of the overall revenue growth, while head-up display (HUD) systems will boast the strongest revenue CAGR at nearly 21 percent from 2015.

Figure 32, 2014~2021 Global Automation Display System Forecast, Revenue (Billion USD$)



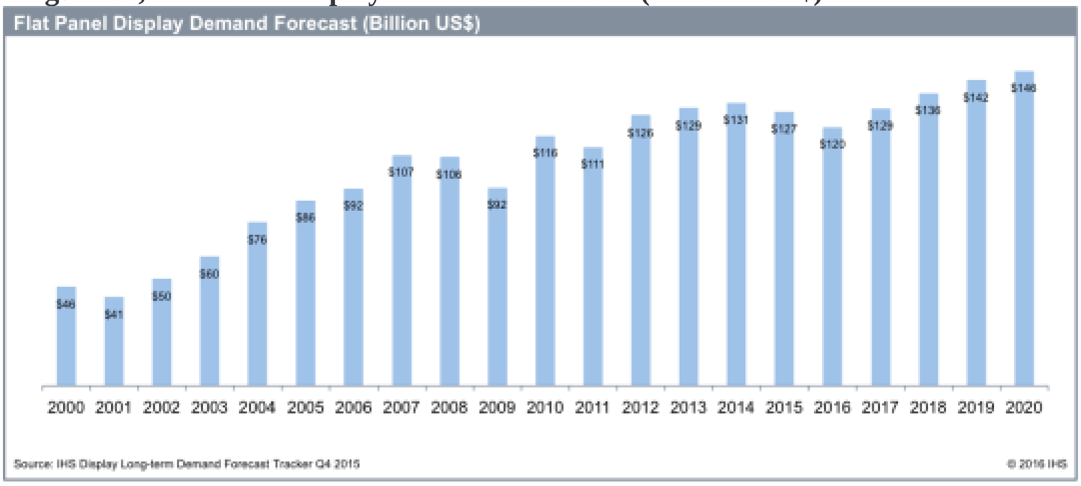
Source, IHS，2015/12

Global flat panel display (FPD) market revenue is expected to shrink by 6 percent year over year in 2016 to $120 billion. While revenue has been declining for some time, this year it will reach its lowest level since 2012, according to IHS Inc. (NYSE:IHS), the leading global source of critical information and insight.

Due to the panel oversupply situation, panel prices declined more rapidly in the second half of 2015 than during any other year since 2008. In December of 2015, for example, the average price for open-cell 32-inch liquid crystal displays (LCDs) tumbled nearly 41 percent since the previous year.

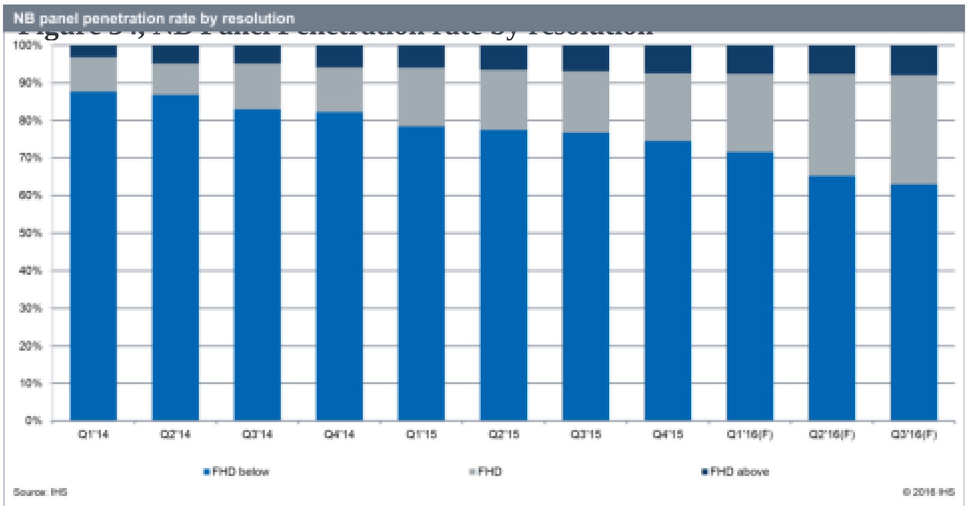
According to the IHS Display Long-term Demand Forecast Tracker, stronger demand for large ultra-high definition (UHD) and 8K panels could slow declining average selling prices. Overall global display demand could also pick up after 2016, if the global economy improves as expected. Furthermore, as the demand for large TV panels rises, FPD shipment area is expected to grow at a compound annual growth rate of 5 percent, from 2015 to 2020.

Figure 33, Flat Panel Display Demand Forecast (Billion USD$)



Sourc, HIS Display Long-term Demand Forecast Tracker Q4 2015，2016/03

With demand for notebook PCs stagnating due to the economic downturn and the rise of tablet PCs, notebook brands and panel makers are increasingly turning to higher display resolutions to increase consumer enthusiasm. Worldwide notebook panel demand fell 12 percent year over year in 2015 to reach 176 million units, according to IHS Inc. (NYSE: IHS), the leading global source of critical information and insight. With notebook inventory piling up, brands and panel makers are hoping that upgrading the display resolution of their product lines will spur more demand growth. Full high-definition (FHD) panels will comprise 20 percent of the notebook market in the first quarter (Q1) of 2016, growing to 30 percent in Q3 2016.



Source, HIS，2016/01

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

According to IEK IS research report, ITRI, output value of TFT LCD in Taiwan 2015 is 8,143.8 billion, still struggling in gaining profit.

Figure 35：2012~2016 Taiwan Flat Panel output forecast

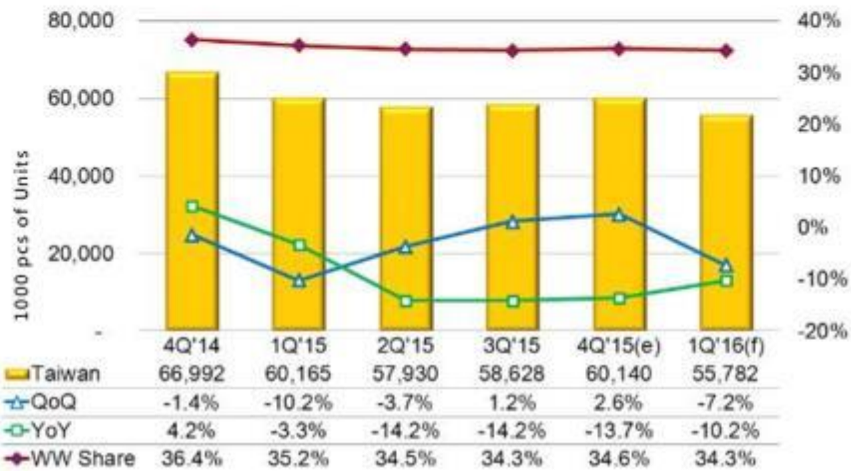
(Billion NTD)

Years / Category	2012	2013	2014	2015	2016(e)
TFT LCD(>10")	7,003.2	7,203.7	7,030.6	6,195.6	5,912.4
TFT LCD(<10")	1,933.5	2,243.3	2,212.4	1,814.4	1,787.1
TN/STN LCD	124.7	78.6	67.9	57.4	55.9
OLED	64.9	68.0	66.6	71.9	77.8
Others	4.3	4.6	4.5	4.5	4.5
Total	9,130.6	9,598.1	9,382.0	8,143.8	7,837.7

Source, IEK IT IS research，2016/01

According to DIGITIMES Research, shipments of Taiwan LCD panel in 2015 is 2.368 billion , decreased 10.5% compare with 2014. AUO shipment is 1.0568 billion, decreased 9.6%. Innolux shipments is 1.2303 billion，decreased 13.0%. Both of them decrease more than 4.3%, worldwide average, due to impact of China emerging market.

Figure36, 2015 Q4~2016 Q1, LCD shipments forecast



Source,：DIGITIMES Research，2016/01

In OLED industry, RITEK has continuing its shipments of home applianece in PMOLED sector. Wise Chip focus on shipments in vehicles and smart watch application. Such kind of panel gain higher profit and sustain its good position in market demand. Regarding to AMOLED, AUO raise up its shipments of 720 phone panel in second quarter, which highly benefit its revenue and whole output of industry.

In TN/STN industry, output from Taiwan vendors decline to NTD 5.74 b, down to -15.4%, since 2014. Nowadays, TN/STN vendors focus on niche product application sales, such as vehicles, industry control, and special home appliance, and fading out of consuming products. It is estimated that TN/STN market size will slightly decline to NTD 5.59b, down to -2.7%.

AUO acquit 100% of TOPPAN CFI in 2015, that make a new mile stone of Taiwan's new position in key technology in color filter supplying chain. High dpi and penetration continue challenge whole vendor's technology ability. In LCD filter, whole Taiwan market shrink due to price reduction and weak demand of down stream panel makers. In addition to big shipment of China vendors, it reduce whole Taiwan panel revenue to NTD 77.96 b (decline 18%) since 2014.。In sector of LCD substrate , worldwide shipment increase because of continuing demand of LCD. But price reduce under pressure of China's over supply. Taiwan reduce its revenue to NTD 121.18b in 2015, due to new blossom of China market. In sector of backlight, Taiwan market decline output of NTD143.14b, slightly down to -4.1% since 2014, due to demand of brand smart phone and TV.

Table22,Taiwan Panel key component industry production trend ,2012~2016

100million NTD

Year / Category	2012	2013	2014	2015	2016(e)
Color Filter	1,033.5	1,046.6	999.4	848.8	840.3
LCD Polarizer Film	905.9	1,002.1	951.2	779.6	758.9
LCD glass substrate	1,408.0	1,564.0	1,523.5	1,211.8	1,083.4
Back light module	1,532.9	1,667.0	1,493.0	1,431.4	1,442.2
Total	4,880.3	5,279.7	4,967.1	4,271.6	4,124.8

Sourc, IEK IT IS，2016/01

2015 Taiwan shipments of thin film transistor-liquid crystal display (TFT-LCD) panels for TV applications decreased 4.6 percent year-on-year (YoY) to 33.96 million units, according to WitsView, a division of TrendForce.

WitsView also estimate Taiwan TV Panel shipment will reach 35.55 million units, increase 4.7% by 2016. In 2015, top shipment ranking is as flow, PTV reach 17.48 million unit as top 1, and Foxconn ranked as top 2, to 8.61 million unit. Innolux had bad performance in 2015, only reached 2.5 million unit.

Table 23, TOP TV Panel supplier in Taiwan by shipments, 2014~2015

(Million Unit)

	2014		2015		YOY
	Rank	Shipment	Rank	Shipment	
冠捷	1	16.15	1	17.48	8.2%
富士康	2	9.10	2	8.61	-5.4%
緯創	3	3.63	3	2.50	-31.1%
仁寶	4	3.23	4	2.22	-31.0%
瑞軒	5	1.70	5	2.05	20.3%
其他	1.81		1.11		-38.5%
Total	35.61		33.96		-4.6%

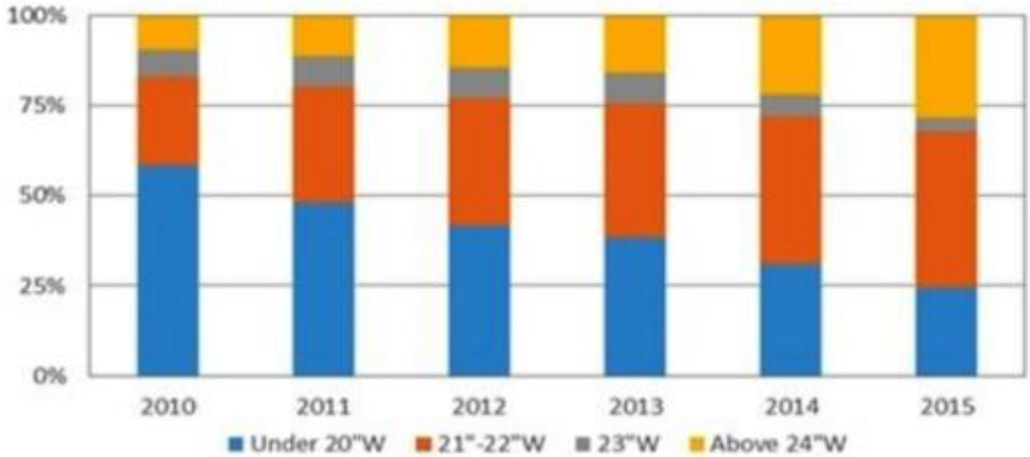
Source, WitsView，2016/02

IDC noted that the size growing was the main stream of PC monitor market. The size under 19-inch was fading out from the market due to the low profit margin. Meanwhile the price of 21-inch above monitors have reached to the sweet point of users, which was the another factor to cause the market shifted to the bigger PC monitors.

In addition to the household market, commercial market was starting to use large size portfolio in 2015, where had used to deploy 19-inch below. In 2010, the ratio of under 20-inch monitors was nearly 60%, but in 2011, the 21-inch above products took its place and became the main stream products, only 25% of market shares of 20-inch below in 2015.

IDC forecasts that the bigger screen will be a main trend in PC monitors market. However, influenced by the decline of desktop PCs, raise of mobile devices and downturn of consumer market, the Taiwan PC monitors market will decrease 8% in 2016.

Figure 36, Taiwan PC monitor market turning to bigger screen



Source, IDC Taiwan Quarterly Monitor Tracker Q4 2015，2016/03

While conventional thin film transistor liquid crystal (TFT LCD) displays are rapidly trending towards commoditization and currently suffering from declining prices and margins, China is quickly adding capacity in all flat-panel display (FPD) manufacturing segments. Supported by financial incentives from local governments, Chinese TFT capacity is projected to grow 40 percent per year between 2010 and 2018. In 2010 China accounted for just 4 percent of total TFT capacity. However by 2018, China is forecast to become the largest FPD-producing region in the world, accounting for 35 percent of the global market, according to IHS Inc. (NYSE: IHS), the leading global source of critical information and insight.

While Chinese capacity expands, Japan, South Korea and Taiwan have restricted investments to focus mainly on advanced technologies. TFT capacity for flat panel display (FPD) production in these countries is forecast to grow on average at less than 2 percent per year between 2010 and 2018.

Based on the latest IHS Display Supply Demand & Equipment Tracker, BOE Technology Group stands out as the leading producer of FPDs in China. With a capacity growth rate of 44 percent per year between 2010 and 2018, BOE will become the main driver for Chinese share gains. By 2018, the company will have ramped up more FPD capacity than any other producers, except for LG Display and Samsung Display.

Table 24, FPD Capacity Area Share in 2010 and 2018

FPD Capacity Area Share in 2010 and 2018

Ranking	2010	Share	2018	Share
1	Samsung Display	24%	Samsung Display	19%
2	LG Display	22%	LG Display	18%
3	Innolux Corp.	17%	BOE	14%
4	AUO	15%	Innolux Corp.	13%
5	Sharp	8%	AUO	11%
6	CPT	3%	China Star	7%
7	Panasonic LCD	3%	Sharp	5%
8	Other	8%	Other	12%

Source: IHS © 2015 IHS

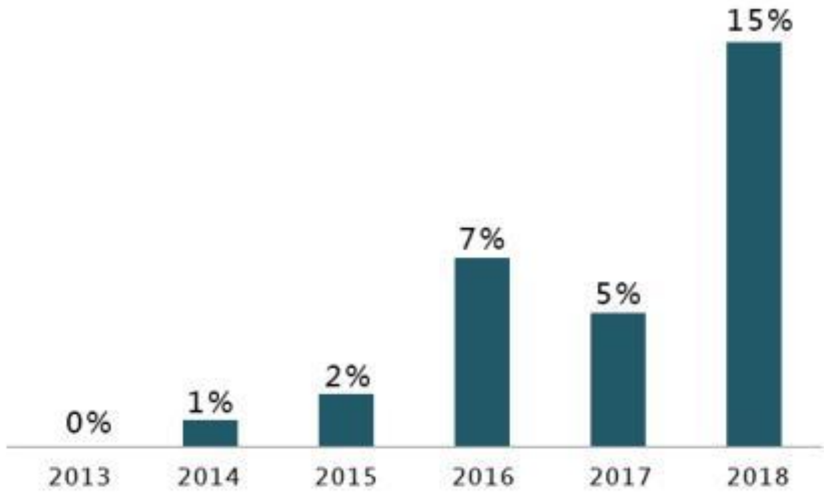
Source, IHS, 2015/11

According to market research firm IHS, China's share in the OLED market would expand up to more than 15 percent by 2018 from only 2 percent last year. A string of Chinese companies, including Tianma, China Star and BOE are making a series of investments to gain a larger share in this area.

Industry experts predict that when China's market share would exceed the 15-percent level in this market, the profitability of Korean OLED makers would go down the hill. In the LCD market, Korean companies saw their profitability decline sharply when their Chinese rivals passed the 15-percent mark in market share.

A good case in point is LG Display which suffered a 90.3-percent decline in operating profit to 60.6 billion won in the fourth quarter of last year. LG Display is expected to slip to an operating loss in the first quarter of this year.

Figure 38, China OLED Penetration (2013-2018)



Ps. Forecast after 2016
Source, IHS，2016/02

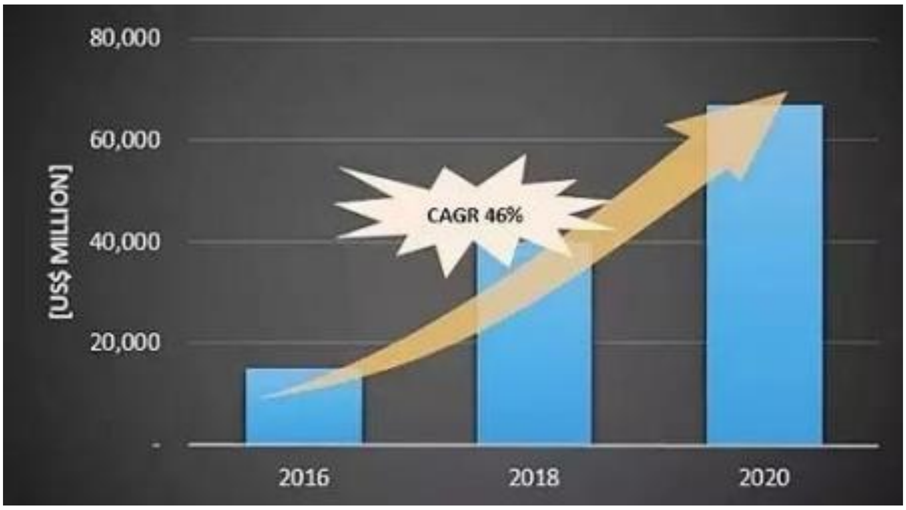
According to 2016 OLED Display Annual Report, published by UBI Research, 2016 AMOLED panel market is estimated to show US$ 15,000 million, which is a growth of approximately 40% from 2015. The report also expects the shipment to record 16% increase compared to 2015 with 270 million units, and 2016 to be the year for the AMOLED industry could take off again.

UBI Research revealed that “Samsung Electronics is actively selecting AMOLED panel for mainstream models of Galaxy and the demand for AMOLED panel by Chinse set companies is also increasing. Additionally, Apple’s application of flexible AMOLED panel for iPhone is becoming more concrete, and OLED TV sales is gradually increasing. As such LCD will be slowly replaced”. Particularly, regarding AMOLED for mobile device market, UBI Research explained that “the flexible AMOLED panel equipped set market analysis shows approximately 500K (Gen 6) per month will be required until 2020, and it is anticipated that active flexible AMOLED investment will be continually carried out”.

The AMOLED market growth staggered momentarily in 2015, but due to the increase of demand for mainstream AMOLED panel and flexible AMOLED panel, it grew with a large margin in 2015. Accordingly, investment for flexible AMOLED panel application for Apple’s iPhone, which is leading the total smartphone market with Samsung Electronics, is in consideration. The panel companies in China, Japan, and Taiwan are also anticipated to invest in flexible AMOLED panel, and bring energy into stagnated OLED related display industry.

According to the 2016 OLED Display Annual Report, the AMOLED panel market exceeded US$ 10,000 million with approximately 230 million units in 2015, an increase of approximately 25% from the previous year. It is expected to record US$ 67,000 million until 2020 with CAGR of approximately 46%.

Figure 39, AMOLED Panel Market Forecast (2016-2020)



Source, UBI Research，2016/02

(3) LED (Light-Emitting Diode) Industry

(3.1) Status and development of Global LED Industry

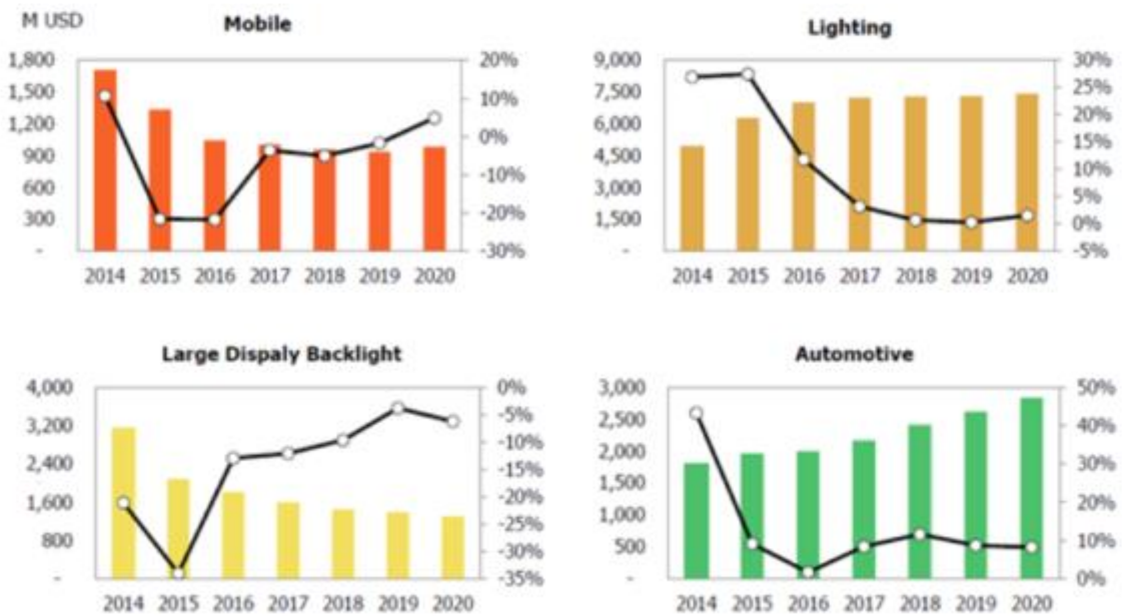
2015 had been a tough year for LED industry. The report from LEDinside, a division of TrendForce, finds the total value of the global LED market (include both visible and non-visible LED products) arrived at US$14.32 billion in 2015, representing YoY growth of -3%. The market witnessed its first annual decline in value last year mainly because of the price war among the LED manufacturers, with the ASPs of some mainstream LED packages suffering a drop of 40% or more compared with 2014. The rising U.S. dollar also resulted in falling revenues for many manufacturers. The major factors behind the negative growth in market value for 2015 were:

- Decrease in LED usage volume due to technological advancements: The introduction of flip-chip LED technology into the TV application, for example, has caused further reduction of LED usage volume for LED backlight units.
- The rise of OLED as the replacement technology: With the maturation of OLED technology, an increasing number of branded smartphone vendors are considering using OLED panels to differentiate their products. Since OLED panels are self-illuminating and do not require LED backlight units, they will eventually simplify mobile backlight design.
- Oversupply: The current price war in the LED market is the result of the industry experiencing oversupply and excess capacity. While the usage volume of LED lighting products continues to expand, falling prices constrain the growth of the overall market value.

Source: LEDinside，2016/04

Figure 40 Global LED Market Review, 2007~2015

The LED industry has always enjoyed high growth since the beginning because different applications have emerged to sustain the overall demand. LED backlights, for instance, is used to illuminate various devices, from the keyboards and screens of mobile phones to LCD TVs and even the touch displays of smartphones and tablets. Likewise, LED lighting has made significant market penetration. LEDinside's data reveal that the global LED market value, on average, has been growing at a CAGR of about 20~30% over the past ten years and more. The first negative YoY growth appeared in 2015 and was mainly attributed to slow down in major application markets.



Source: LEDinside，2016//01

Figure 41 Slowdown in Global LED Major Application Markets

As indicated by LEDinside, although LED lighting replaces traditional lighting in a large scale and the demand keeps rising, the average unit price dropped 30~40% due to oversupply. The manufacturers suffered losses and even gradually withdrew from the market.

Fierce competition caused major shifts in the global LED package revenue ranking for 2015, according to LEDinside. Nichia remained the leader, followed closely by OSRAM Opto and Lumileds. Samsung LED and other South Korean manufacturers suffered revenue declines due to the price war and the contraction of LED backlight market. By undercutting each other, most manufacturers ended up with lower revenues last year. Some companies' revenues also decreased when measured in U.S. dollars due to the dollar's appreciation.

Table 24 Global Revenue Ranking of LED Package Manufacturers, 2014~2015

Company	Ranking 2015	Ranking 2014	Growth Rate 2015
Nichia	1	1	-5.0%
OSRAM Opto	2	2	-1.6%
Lumileds	3	3	3.0%
Samsung LED	4	4	-16.2%
Seoul Semi	5	5	1.0%
Everlight	6	7	-11.7%
CREE	7	8	-20.4%
LG Innotek	8	6	-31.1%
MLS	9	9	-1.0%
Liteon	10	11	-0.2%

Note: Revenue results are based on sales of LED packages. LED chips, LED lighting fixtures, sensor modules, laser LEDs and other products are excluded from the calculation.

Source: LEDinside，2016//04

The top three manufacturers performed very well in the automotive LED market. Together, Nichia, OSRAM Opto and Lumileds currently control about 70% of the world's automotive LED market. This application sector thus has very high entry barriers and is susceptible to market concentration. Pricing matters less here as customers pay more attention to product reliability, optical design and supply chain management. Therefore, many manufacturers regard the automotive LED application as the new blue ocean market and are eager to gain a foothold there.

The shrinking LED backlight market was a major factor behind sliding revenues for South Korean manufacturers in 2015. Furthermore, group companies Samsung and LG concentrated on promoting OLED panels and paid less attention to the development of their LED products. Even worse, Samsung and LG also outsourced the manufacturing of some LED products that will be replaced by their OLED solutions to competing LED suppliers.

Branded lighting vendors constantly pressured their LED suppliers to cut prices in 2015. Major LED lighting manufacturers such as CREE saw a sharp decline in its package revenue on account of falling product prices and losing orders to competitors. Everlight and MLS were also affected by lower prices despite having cost advantages. Their revenue declines came after having long periods of steady growth.

The research institution IHS Technology revealed the revenue raking of packaged LED companies of 2015. IHS says vendors of packaged LEDs faced tough competition in 2015. The stronger US dollar in 2015 as part of the reason packaged LED revenue fell so much last year.

Lumileds was the only LED producer among the top 10 to record positive growth in 2015, both gaining market share and improving its ranking.

Table 25 Company Ranking of Packaged LEDs Revenue, 2014~2015

Packaged LEDs Revenues (GaN+AlInGaP+Standard)

2015 Company Ranking

Company Name	2014	2015
Nichia	1	1
Osram Opto	2	2
Lumileds	4	3
Samsung Electronics	3	4
Seoul Semiconductor	5	5
Everlight	7=	6
Cree	6	7
LG Innotek	7=	8
MLS	9	9
Lumens	10	10

Source: IHS，2016/04

When measured in Yen and Euro, the packaged LED market grew just 5 percent and 10 percent, respectively, IHS said. If the exchange rates had been the same as they were in 2014, IHS says that the market would most likely have been much flatter measured in U.S. dollars. The company said that global LED revenue declined 8 percent in 2015.

Despite suffering uncertainty last year, as Philips attempted to sell the business, Lumileds came out ahead of Samsung every quarter since the fourth quarter of 2014. Lumileds reportedly continues to offer a strong competitive position in automotive LED, general lighting, and mobile camera flash sectors. Lumileds notably gets just a small percentage of its revenues from the soft backlighting market, which includes mobile phones, tablets, notebooks, and monitors.

Compared to the previous year, IHS says that revenue share for Cree, Everlight, and LG Innotek declined in 2015. However, Everlight improved its ranking position, while the others did not. Everlight’s rise in rank comes despite losing share, because Cree and LG Innotek revenues fell even further.

Cree and the major Korean players all had double-digit revenue declines in 2015. Cree is increasing its focus on its lighting business, as its component business is not growing as quickly as before. Cree has long positioned itself – with some justification– as a producer of higher quality packaged LEDs and LED lighting. As the market commoditized, Cree’s revenue has suffered from the strategy.

Korean companies were able to position themselves successfully as the low-cost option in general lighting in 2012 and 2013. Even so, IHS says that this strategy of offering lower prices produced stiff competition in 2014 and 2015, as MLS and other Chinese companies offered even lower prices with similar quality. In 2015, Samsung, LG

Korean companies were able to position themselves successfully as the low-cost option in general lighting in 2012 and 2013. Even so, this strategy of offering lower prices produced stiff competition in 2014 and 2015, as MLS and other Chinese companies offered even lower prices with similar quality. In 2015, Samsung, LG Innotek and Lumens were caught in the middle providing neither the lowest price nor the best quality, according to IHS.

Seoul Semiconductor is a pure-play LED company that has more experience in LEDs than the other major Korean players. Seoul Semi gained share in 2015 with a slight revenue decline. MLS, Nichia, and Osram Opto all maintained their share in 2015, declining slightly in revenue in line with the market.

According to Digitimes Research, the global high-brightness (HB) LED industry experienced annual decrease of 2.7% in terms of output, reaching US$12.4 billion. Lighting applications amount to 49.3%, and the ASP largely decreased. China, the largest manufacturing and export country of end-products for lighting, has annual growth of 15.1% in export value of lighting products, out of which over 40% was LED lighting. The market demand for lighting products remains strong.

From 2015, the business cycle of LED industry started to change in its nature. Orders for end-products were not shown, and out of expectation, the peak season never arrived. The tumbled price did not boost the market demand but worsened the industry situation. In 2016, the momentum for LED industry is not clear yet. Although the industry became steadier and the orders for LED-backlit and lighting products began to resume, from the demand side, order visibility remains low. It appears that clients are not willing to keep inventory, which results in rush orders, reflecting clients' insecurity towards the fluctuation of the market and the industry. The concerns about over supply in the upper stream were not eased yet.

Global high-brightness LED market value in 2016 will reach an estimated US$12.82 billion, rising 3.4% on year, according to Digitimes Research. However, it only increases 0.6% against 2014, due to the lower base in 2015, which decreased 2.7% from the previous year. In terms of number of chips, it will amounts to 245.2 billion in 2016 with annual growth rate of 31.8%. Amongst which, lighting application will have the highest growth, accounting for 57.1%.

LEDinside estimates that the value of the global high-brightness LED market will increase by mere 3% year on year to US$14.95 billion in 2016. Even though lighting demand has spurred LED usage volume growth, the ongoing increase in LED's luminous efficacy has the opposite effect of reducing usage volume. Additionally, LEDs are still under an immense downward price pressure. Based on these observations, LEDinside projects that in the next five years the LED industry's compound annual growth rate (CAGR) is unlikely to reach more than 10% as before.

For the long-term, the global LED market will remain growth at CAGR of 6% till 2018. According to research institutions IHS and IEK, applications for LED lighting, automotive, medical, horticultural, security control, wearable devices and smart life will further encourage the development of LED components, lighting, backlight modules and automotive lamps. The industry receives highly attention on its turning point.

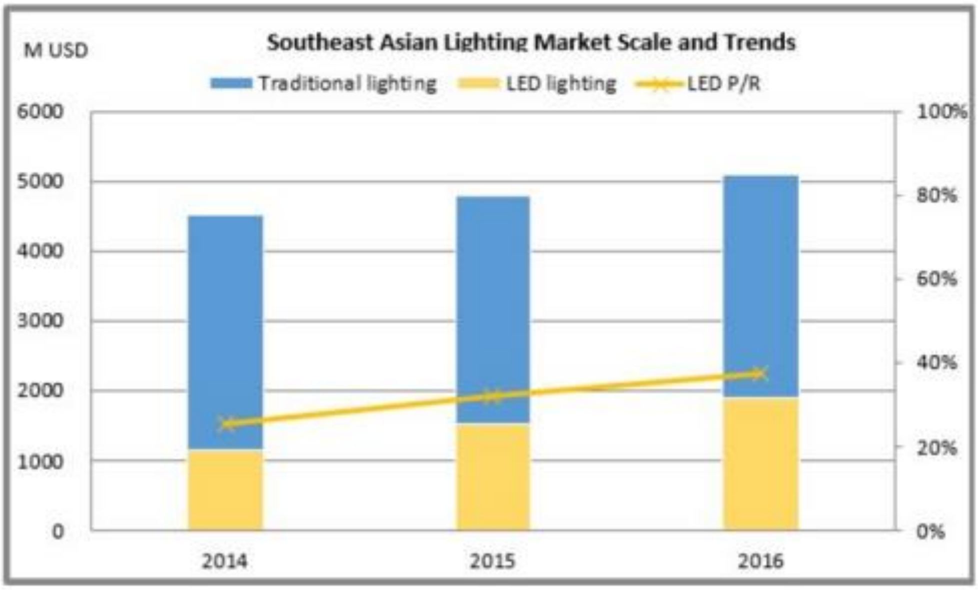
A. Development by region

LEDinside indicates that lighting companies have focused on professional lighting solutions in developed markets such as the U.S., Europe and Japan. They seek to capture certain market segments via product diversification and differentiation. In the emerging markets, rapid economic growth, favorable government policies, and mega urban projects are constantly generating new opportunities. The main growth centers in the global lighting market next year will be the U.S. and India.

Demand has been relatively strong in the U.S. lighting market this year, with growth residing in applications such as commercial/industrial lighting, horticultural lighting and marine lighting. Major U.S. lighting companies are proactively developing various LED lighting businesses and giving a greater share of their portfolios to LED lighting products. Demand growth for LED lighting products has been strong in the commercial/industrial applications, with the fastest growth found in troffers, panel lights, tunnel lights and high/low bay lights. New applications are also emerging, including smart lighting and light communication. Another niche application in the U.S. market that is worthy of interest is horticultural lighting. Entrepreneurs and lighting system specialists are banking on the country’s bourgeoning legal marijuana trade as more states have changed their drug policies to allow growing marijuana plants for medicinal as well as for recreational purposes (e.g. Washington and Colorado).

Developments in the emerging markets such as India, Africa and Southeast Asia will be heavily influenced by government policies and the volume of project tenders in the market. The Indian government, for example, plans to purchase 200 million LED light bulbs by the end of 2016 and has issued tenders on LED streetlights retrofit projects. To meet bid requirements related to revenue, production capacity and manufacturing capability, international bidders are encouraged to enter joint ventures with local lighting companies. The Indian LED lighting market therefore is expected to remain hot through 2016.

According to LEDinside's statistics, calculated by six major countries (Thailand, Singapore, Malaysia, Vietnam, Indonesia, Philippines), the overall lighting market size of Southeast Asia in 2015 is about USD 4.8 billion, of which LED lighting takes up about USD 1.5 billion, and is expected to grow to USD 1.9 billion in 2016. During 2014-2016, the Southeast Asian LED lighting market share has increased significantly, and the penetration rate is expected to grow from 25% to 37%.



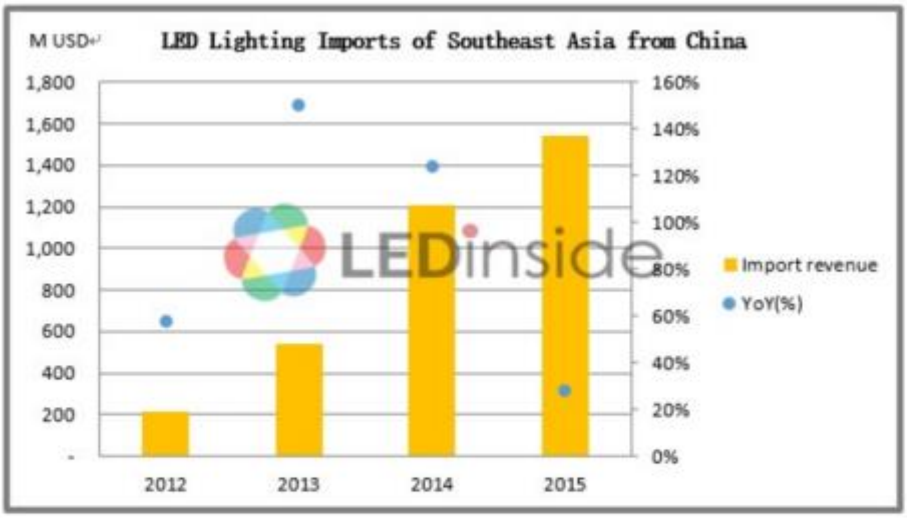
Source: LEDinside，2016/04

Figure 42 Southeast Asian Lighting Market Scale and Trends

Except for Singapore, the overall lighting scale of other South Asian countries showed an upward trend in recent years, but the traditional lighting scale universally declined, and LED lighting becomes the major growth momentum. Indonesia takes the first place in overall lighting scale and LED lighting scale, with LED lighting market scale is expected to approach USD 460 million.

Vietnam achieved the rapidest growth in LED lighting market share among the major Southeast Asian Nations, maintaining y-o-y increase of more than 60% in 2013-2015. In consideration of the growth impetus brought by government subsidy and market demand growth, the improvement in penetration of LED lighting will accelerate.

LEDinside expressed, observing the LED lighting product imports of Southeast Asian Nations from China, the total import revenue of the six major countries reached USD 1.54 billion in 2015. All countries achieved rapid growth in imports in 2013 and 2014, while the growth slowed in 2015 due to factors including exchange rate and economic environment.



Source: LEDinside，2016/04

Figure 43 LED Lighting Imports of Southeast Asia from China

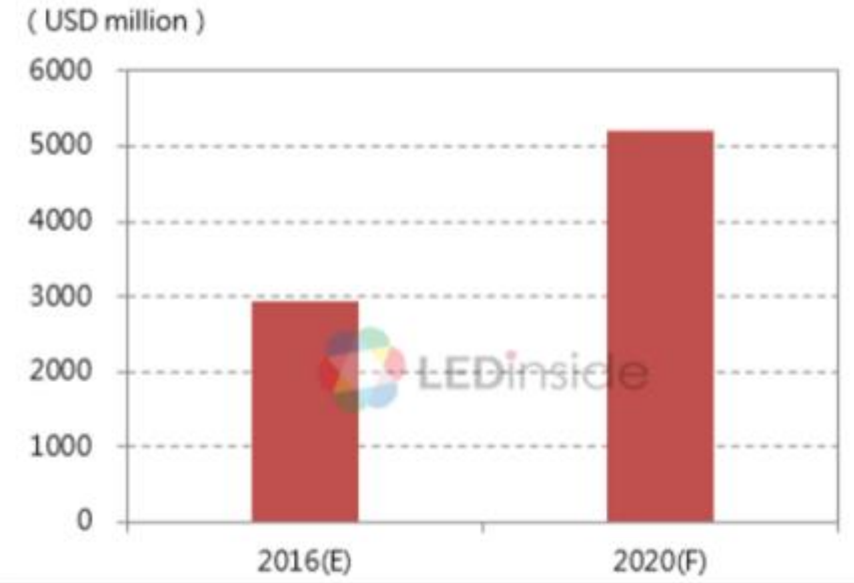
Among the major countries, Vietnam has obtained rapid growth in LED lighting product imports from China in the recent two years because of its large population and rapid demand growth, taking the first place in growth among the major countries in 2013-2015. The imports from China are expected to exceed USD 300 million in 2015.

In view of market scale and import revenue, LED lighting has increased significantly in recent years, and the effort to replace traditional lighting has gradually strengthened. For Southeast Asia that mainly depends on import and has poor local productivity, the increased demand for LED lighting results in significant growth in import demand, in addition, the imports from China saw rapid growth because of advantages in price, manufacturing capability and geographic position.

Although affected by the overall economic environment in 2015, the growth in market and import scale slowed down, it is expected that LED lighting penetration and import revenue in Southeast Asia will continue to improve rapidly in the next few years due to policy incentives and growth in replacement demand. Consequently, Southeast Asia is becoming a major target market for Chinese manufacturers to export LED lighting products.

B. Development by applications

The LED industrial lighting market has enjoyed accelerated growth in recent years owing to the rising demand worldwide and government subsidies, says LEDinside, a division of TrendForce. According to LEDinside’s report, the market of LED industrial lighting is forecast to grow from US$2.93 billion in 2016 to US$5.20 billion in 2020, representing a CAGR of over 15% during the five-year period.

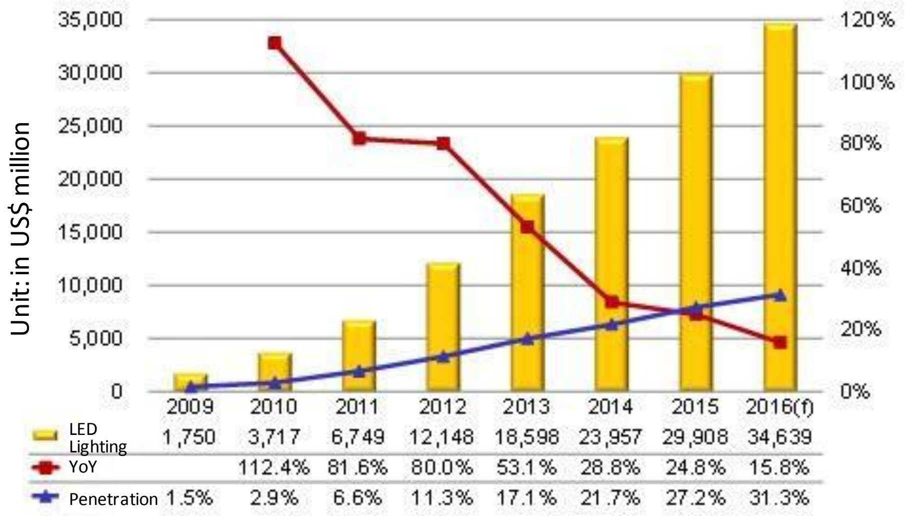


Source: LEDinside，2016/03

Figure 44 Market Scale of LED Industrial Lighting, 2016&2020

As to the European market, the largest lighting market in the world, in recent years both outdoor and indoor engineering projects were deployed continually, and the shipments of high bay light and floodlight, which are most commonly used in industrial lighting, are also booming. For industrial lighting, the momentum mainly comes from the energy-saving. With improvement of LED efficacy and decline of price, the payback period for long-term use will become shorter, making it more competitive against the residential lighting, also urging the consumers of industrial lighting market to switch to LED lamps. In 2015, the growth of industrial lighting market in China slightly slowed down due to overall economic situations, but the growth rate still exceeded 15%, while reaching 25% in the U.S. and Europe and 20% in Japan.

In commercial lighting market, global LED lighting market value in 2016 will reach an estimated US$34.64 billion, accounting for 31.3% of total lighting market value, rising 4.1pp on year, according to Digitimes Research. In terms of global market value, LED light bulbs will account for over 28% of all types of light bulbs (penetration) in 2016 and the penetration will be over 30% for LED projection lamps, 17.3% for LED light tubes, and 15.7% for LED street lamps.



Source: DIGITIMES，2016/03

Figure 45 Global LED Lighting Market Value and penetration, 2009~2016

To avoid red ocean market, such as LED bulbs and low-price LED light tubes, manufacturers will raise the portion of LED projection lamps in their product line as the clients for these products are more willing to switch. Furthermore, the internet lighting control system is gradually adopted by commercial lighting designers, and its growth rate is expected to outperform the LED lighting. In combination of LED projection lamps, systems and services, the penetration rate is expected to exceed 30%.

As the industry moving from expansion stage to maturity stage and the price of LED lighting products continuously decreasing, the penetration in residential lighting accelerates. The industry players commonly recognize that the lowering price helps stimulate the demand in residential market. When the price lowers to a certain level, the advantages of manufacturers' brand name and competences will be critical. With little differences in price, products of brand will be the first choice to customers.

Furthermore, LED is no longer a simple substitute to traditional residential lighting products. LED products and applications combining with smart controlling technology and of high efficacy will be a major role in modern residential lighting. China, as an example, the penetration rate in smart residential lighting is below 2%, having a prosperous market ahead.

C. Development by products

By usage of LED chips, lighting applications will account for 58.7% of shipments, of which usage will be 35.9% for LED light bulbs, 34.7% LED light tubes, 25.6% LED projection lamps and 3.8% LED street lamps, DIGITIMES Research indicated.

Among other applications for high-brightness LED chips, mobile terminal devices will account for 13.4% of the shipment volume, display boards 6.5%, LCD TVs 5.7%, automobiles 5%, tablets 3.2%, notebooks 2.5% and LCD monitors 1.3%.

LCD TVs' usage will decline most among all the applications, reaching 5.4%, which results from the high market share of budget LED TVs and the lower demand for LED chips by adopting flip-chip LED.

The usages of LED chips will increase for mobile terminal devices, display boards and automobiles, 7.4% annual growth rate for smart phone devices not as like as the double-digit growth in past years. The usages will decrease for tablets, notebooks and LCD monitors, with annual growth rate between -0.5%~-0.9%, showing moderate declining trend and less decrease than LCD TVs.

D. Industry trends

Listed below are five major trends that will shape the LED industry in 2016:

◆ Price decline to moderate in LED market as more manufacturers make their exits

Demand in LED backlight and lighting markets has been lower than expected this year, which has caused sliding ASPs of LED chips and LED packages. This trend has been markedly observed during this year's second half, when LED chip and package prices have sharply plunged to point that prices of some products are now close to material costs. Facing losses, manufacturers are being pressured to lower their prices in the short term. However, prices are now almost equal to production costs for many of them. As more companies drop out of the chip and package markets, further LED price cuts will be limited.

◆ Chinese LED manufacturers start acquiring foreign companies to transform their business models

Chinese LED enterprises are now in a strong position to make merger and acquisition deals after raising funds from the stock market and receiving government backing. Their targets are major international LED players' patents and lighting brands, which the Chinese hope will strengthen their patent portfolios and overseas distribution channels. Additionally, more Chinese LED manufacturers are also transforming their business models. Mergers and acquisitions are a way for them to leave the hotly contended red sea markets and enter other market sectors.

◆ Penetration of flip-chip technology in LED TV backlight application will keep rising

Previously, only a few manufacturers highlighted their flip-chip LEDs as major products due to low yield rates, production costs and other technology challenges. However, an increasing number of Taiwanese and South Korean manufacturers begin to invest in the R&D of this technology starting in 2014. Consequently, flip-chip products have gradually become more efficient and profitable as their quality improves and costs go down. This year, South Korean LED manufacturers started to apply flip-chip LEDs on a large scale in TV backlight. South Korean branded TV vendors have also significantly raised their usage of flip-chip LEDs as the source of LED backlight. LEDinside expects that LED manufacturers will continue their aggressive promotion of flip-chip and the even smaller chip scale package (CSP) LEDs in the TV backlight market. Hence, the penetration of flip-chip technology in this application is projected to exceed 50% by 2017.

◆ Replacement of traditional lighting products to accelerate as prices of LED lighting products continue to decline

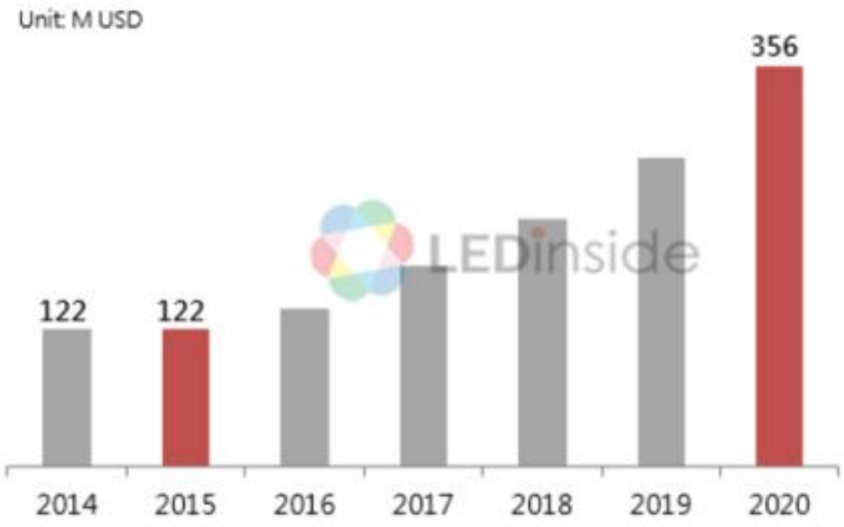
LED lighting replacement products (e.g. LED bulbs and tubes) are becoming more standardized and have been eagerly promoted by many branded lighting companies. As a result, LED bulb prices around the globe are nearing their traditional, energy saving counterparts. Lighting companies will continue to find cost-cutting solutions in 2016. They will not just be looking at the cost of LEDs when it comes to lowering the price of an entire LED lighting product. They also consider lowering the costs of driver and other components. Bringing costs down help with efforts to lower product prices, which in turn expand sales and market share. LEDinside expects LED lighting replacement products to be widely adopted in the next three years.

◆ Non-visible LED light increasingly valued in special applications

Due to the intense LED pricing competition in the white LED market, LED manufacturers are searching for innovative or special lighting applications to boost profitability. Some of the newly emerged applications that have drawn manufacturers' attention are related to non-visible light spectrum, such as ultraviolet (UV) and infrared (IR) LEDs. Compared with lighting or backlight applications, the non-visible light applications are very limited in their market sizes. However, UV and IR LED markets have a very high technology barrier and production is highly customized. LED manufacturers supplying these application markets will need to work closely with solution providers/system manufacturers. On the other hand, non-visible light LEDs will have significantly higher gross margins than white LEDs.

UV LEDs, for example, currently has exposure and curing as its largest application markets, but manufacturers are also paying attention to other applications such as disinfection. Developing LEDs of UV-C wavelength, which is suited for disinfection, requires manufacturers to overcome an exceptionally high technology barrier. Though the UV-C market has relatively few players, the number of active entrants is expected to increase.

IR LEDs have a broad range of applications. Primarily, they are used in remote controls or security/surveillance solutions. They are also present image sensors, motion sensors, position detection sensors, proximity sensors, biometric recognition systems and photoplethymography sensors (which measure a person's pulse rate and blood oxygen level). IR LEDs will also find value-added applications in handheld devices, such as information security and health management. On the whole, the IR LED market is highly profitable and has lots of room for growth on account of the technology's diverse uses.



Source: LEDinside，2015/12

Figure 46 UV LED Market Value, 2014~2020

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

According to Department of Statistics, Ministry of Economic Affairs (MOEA)'s statistic data, Taiwan was the United States' 4th largest supplier of electronic products imports in 2015. U.S. electronic products imports from Taiwan totaled US$ 6.56 billion in 2015, representing 6.8%, which was lower than China (29.8%), Mexico (19.1%) and Malaysia (14.5%), and higher than Japan (5.7%) and South Korea (4.4%). Monitors, projectors, and TVs from China and Mexico stood for the largest market share of U.S. electronic products.

By specific product, the top three electronic products exported by Taiwan to the U.S. market are ICs, discs/tapes/solid-state storage devices, and LEDs. ICs ranked top with export value of US$3.68 billion, accounting for 56.2% of total electronic products export vale, followed by discs/tapes/solid-state storage devices of US$1.17 billion, accounting for 17.9%; LEDs of US$0.61 billion, accounting for 9.3%; PCBs of US$0.37 billion, accounting for 5.7%; monitors/projectors/TVs of US$0.22 billion, accounting for 3.4%; parts such as antenna of all kinds and TV chassis of US$0.19 billion, accounting for 2.9%.

The electronic products imported from Taiwan to the U.S. market in 2015 declined US$0.86 billion or by 11.6% against 2014, which was the first recession since the 2009 financial crisis. Monitors/projectors/TVs declined US$0.44 billion or by 66.8%, while solar batteries declined US$0.39 billion or by 38.9% due to anti-dumping duties imposed by the U.S. The top-ranked ICs also declined US$0.28 billion or by 7.1%, mainly from the drop of DRAM of US$0.18 billion or by 22.5%. Discs/tapes/solid-state storage devices had an increased of US$0.29 billion or by 32.6%.

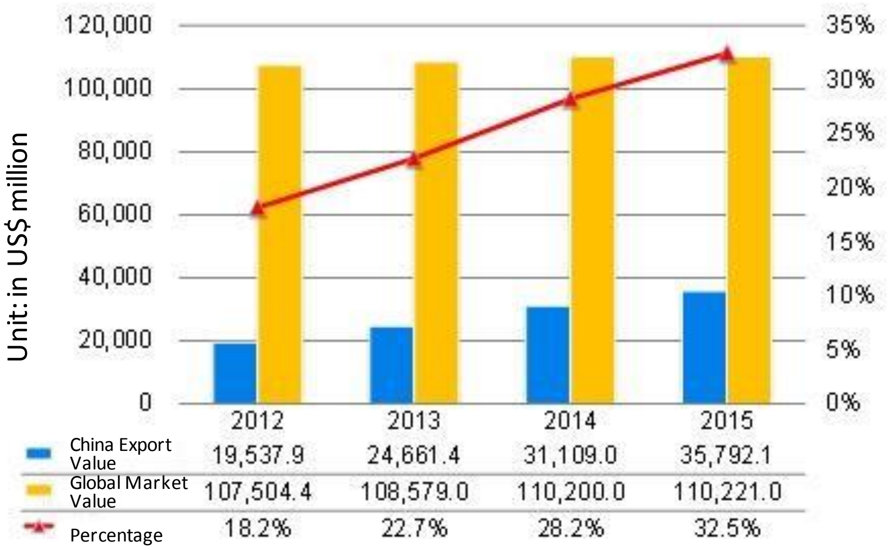
According to Department of Statistics, MOEA, Taiwan's LED market value records the fifth consecutive year of growth, reaching over NT$3.5 billion and 45pp on year. In 2016, market penetration rate for LED lighting will hit 32.7%, forecasted by ITRI, setting a record high. Indicating the market sweet spot has arrived.

Moreover, since the oversupply of LED components have not yet been fixed and the efficiency has been constituently improving, mid-level LED components kept penetrating the market of high-level components and drove the end selling price down greatly for the LED lighting market, which has the largest demand for the chipsets. Though the reduce of end price is beneficial for market penetration for LED lighting, in the same time, it also lowers the production value of LED components. Forecasted by LEDinside and the major players in Taiwan's LED market, the price of LED components has dropped 25~30%, however, nothing compares to 2015's 40% price drop. This results a significant decline in terms of revenue and profit for Taiwan LED manufacturers in the year of 2015.

IDB points out, Taiwan's public construction consumes most LED lighting products, including street lamps or lighting in public parking areas. 100% complete replacement of LED street lamps will be achieved by the end of 2016; the price difference between LED and compact fluorescent lamps is getting narrower, easier for consumers to accept. Upon the integration of LED lighting system, export to Europe as well as SEA markets will be achievable.

The mature of China's own supply chain or so-called "The Red Supply Chain" greatly affects Taiwan's manufacturers' worldwide LED components market share, as Taiwanese companies are losing their competitive advantage rapidly. However the next year or two will be the differential stage for LED lighting products, Taiwanese companies may compete with China manufacturers in the area of residential smart lighting applications. As the widespread of IoT and cloud platform usage, the concept of home lighting should no longer be switches spreading across the house, but integrated into applications within each smart device. The control functions shouldn't be limited to only power on/off, but personalized control. Industrial lightings ought to provide different functions according to various different lighting requirements. Clear to see, smart lighting system is the integration of LED diode, information platform and various sensors all linking together with Ethernet. Taiwan's IT industry has its advantage in R&D capability of various sensors, wifi modules, and through vertical integration of supply chain will provide Taiwan LED manufactures the niche point to compete. Vertical integration will be the key turning point for Taiwan manufacturers to once again achieve revenue growth.

When the growth of global LED market has gradually slowed down, expanding mere 2.5% from 2012 to 2015, China's LED lighting exporting value had expanded 83.2%, reaching US$ 35.79 billion. After closer examination, China's LED lighting exporting value compares with global market value, expanding 14.3% over the last 4 years from 18.2% to 32.5%, which shows that China certainly plays an important role in the global LED lighting market.

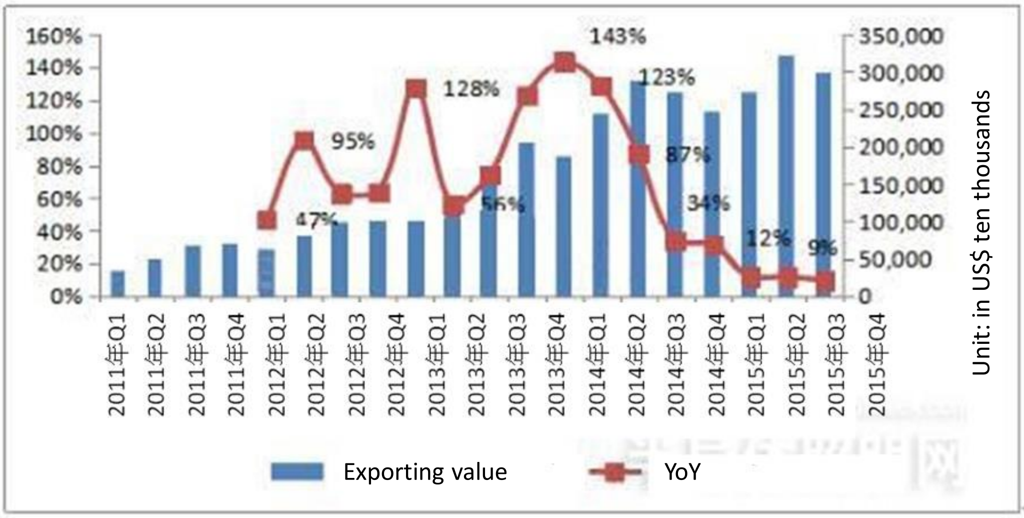


Source: China custom, DIGITIMES，2016/02

Figure 47 Exporting Value of China Lighting Against Global Market Value, 2012~2015

Based on data from General Administration of Customs of China, the total sales revenues of China lighting industry in 2015 were RMB 560 billion, increasing by 8% from 2014, and the exporting value was US$45.3 billion with annual growth rate of 9%. The growth rate for sales revenues and exporting value decreased to single digit for the first time after consecutive double-digit growth for more than a decade. Even that, the growth of LED lighting products remained strong, with exporting value of US$10.8 billion and annual growth rate of 20%.

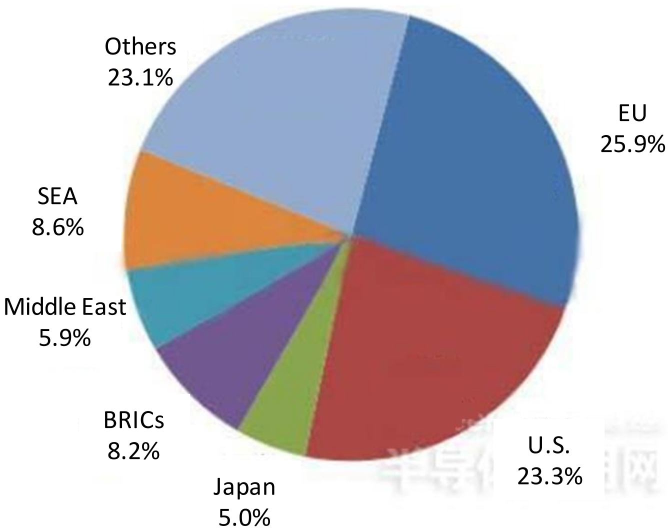
According to CSA Research, the exports of China LED lighting products perform will in recent years. In 2014, the exporting value was close to US$10 billion, growing 70% annually. After the dramatic jump in 2014, the growth largely slowed down in 2015. Overall, the export market of China LED lighting has moved from high-speed growth to moderate-speed growth.



Source: China custom, CSA Research, China-led.net，2016/04

Figure 48 Exporting Value of China LED Lighting Products, 2011~2015

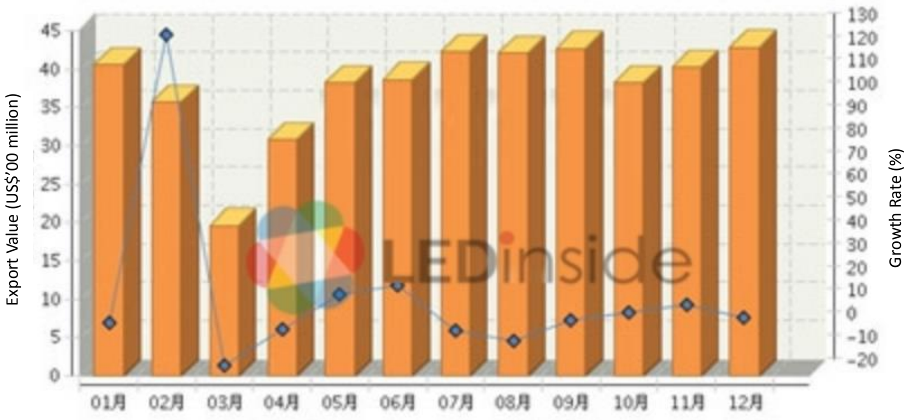
Observing the exports of China LED lighting products, the destinations with the largest share were the U.S. and EU in 2015. Of which, the U.S. kept highly growth with its market share increasing 4.2% from 2014; EU remained steady; SEA counties largely increased by 38.4%; Japan and BRICs experienced decrease.



Source: China custom, CSA Research, China-led.net，2016/04

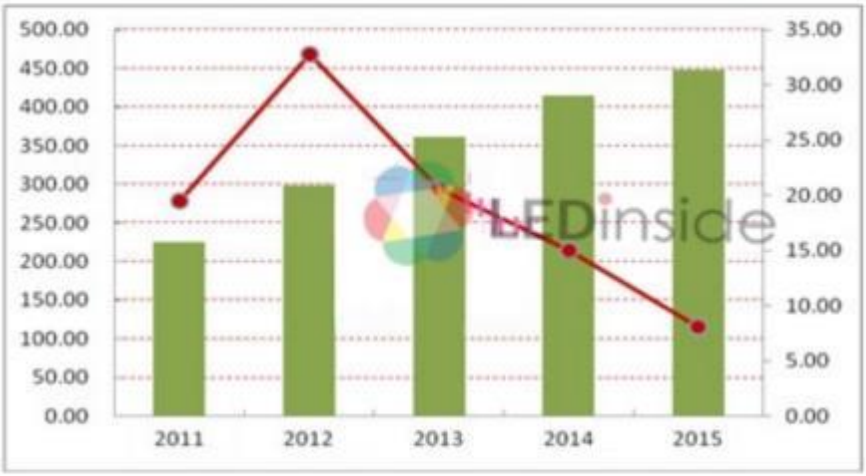
Figure 49 Structure of Exports Market of China LED Lighting Products, 2015

The accumulated export value of China lighting industry in 2015 had a year-on-year increase of 8.1%, and the growth rate dropped 6.96% from that of 2014, said LEDinside. In all months it showed positive growth except in March, July and August. The exports of China lighting industry for the last five years revealed that the export value kept increasing year by year while the growth rate straightly declined.



Source: LEDinside，2016/04

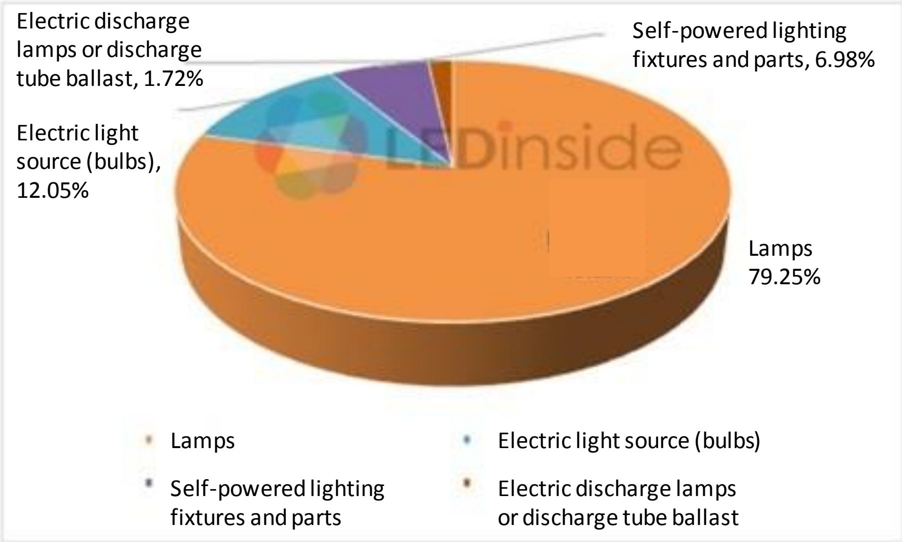
Figure 50 Monthly Export Value and Growth Rate of China Lighting Industry, 2015



Source: LEDinside，2016/04

Figure 51 Annual Export Value and Growth Rate of China Lighting Industry, 2011~2015

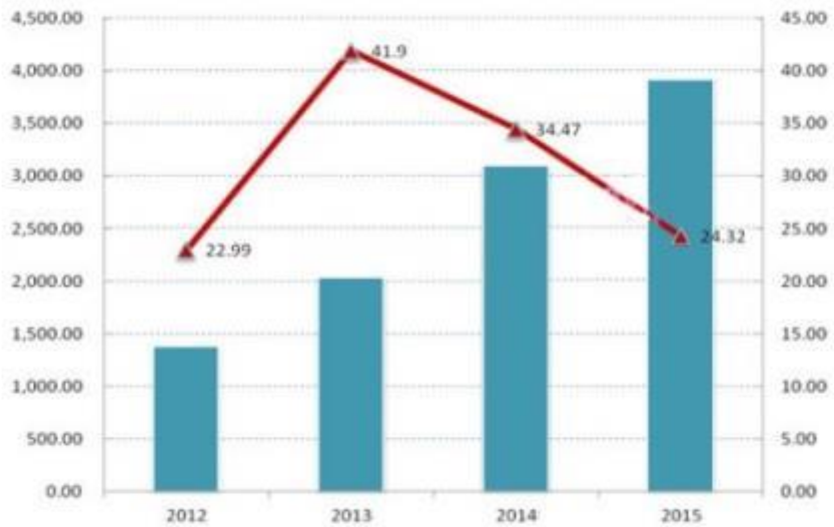
For each product segment, in 2015, the accumulated export value of lamps accounted for 79.25% of the total value of the industry.



Source: LEDinside，2016/04

Figure 52 Export Value of China Lighting Industry – by Segment, 2015

OFweek.com reported that, in 2015, China LED industry maintained high-speed growth, with production volume of 391.82 billion units and year-on-year growth of 24.32%, though the growth rate was 10.15% lower than that of 2014.



Source: OFweek，2016/03

Figure 53 Productions and Growths of China LED Industry, 2012-2015

Guangdong is the largest LED production base in China. The production volume amounted to 273.94 billion units, accounting for 69.92% of the total production volume, followed by Fujian, Jiangsu, Zhejiang and Anhui. In terms of growth, Guangdong and Anhui maintained positive trend of growth, as the growth rate of Guangdong reached 43.26%.

Source: OFweek，2016/03

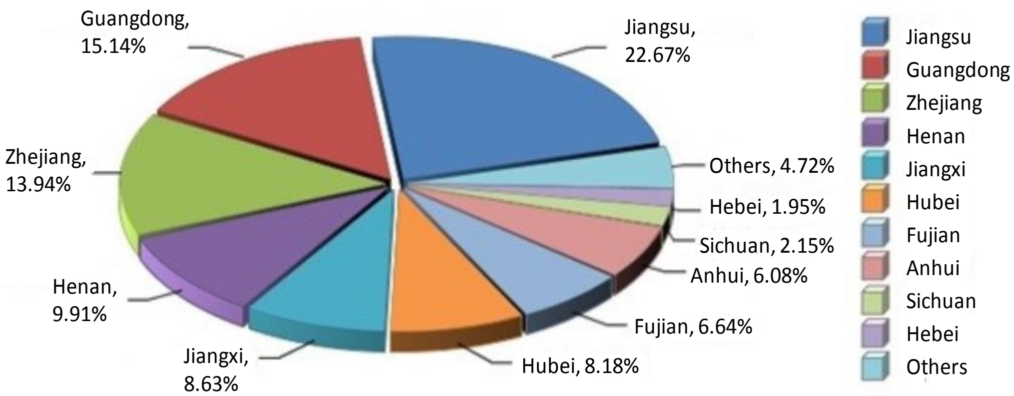
Figure 54 Growths of China LED Industry by province, 2015

In 2015, the production volume of bulbs in China was 20.35 billion units, with year-on-year growth of -5.69%. Reviewed by month, the growth rate in September, which was -27.66%, declined most in the first three quarters.

Source: OFweek，2016/03

Figure 55 Productions and Growths of Bulbs in China by Month, 2015

In terms of regional distribution, Jiangsu, Guangdong, Zhejiang, Henan and Jiangxi ranked top five for bulbs production, in total accounting for 70.29% of domestic production volume.



Source: OFweek，2016/03

Figure 56 Distribution of Bulbs Production in China, 2015

The structure of China LED industry is composed of upstream, midstream and downstream industries. The upstream includes manufacture of LED epitaxial materials and chips, the midstream includes packaging of LED components and modules, and the downstream includes applications of LED monitors and lighting. So far, the China LED industry chain has been completed in shape of four areas (the Zhujiang Delta, the Yangtse Delta, Fujian and Jiangxi area, and the northern area) and seven bases (Shenzhen, Dalian, Shanghai, Nanchang, Xiamen, Yangzhou and Shijiazhuang).

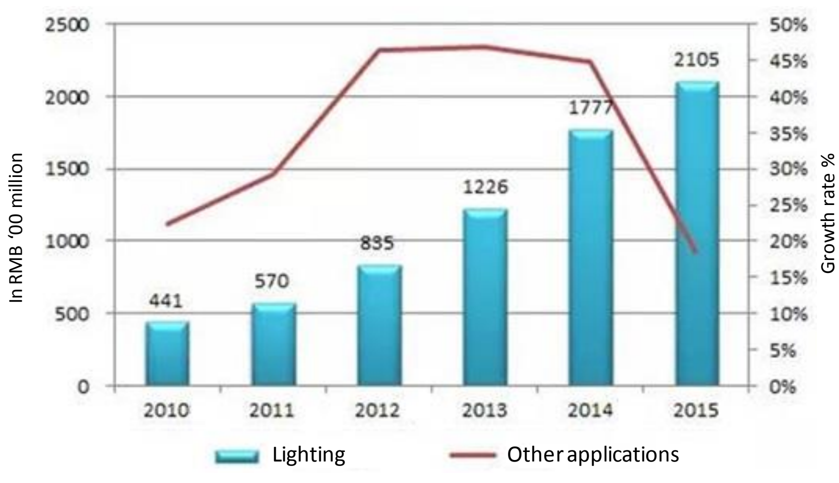
The market value of China LED chips of 2015 reached RMB 13 billion, increasing by 8.3% from 2014, and the growth had been slowed down, indicated by GGII. With continuous expansion by LED chips manufacturer such as Sanan and HC SemiTek and the slowdown in demand in 2015, the competition was more intense, and the price of chips dropped largely. As a result, even though the annual production of LED chips increased by 60%, the market value only increased by 8.3%.

The development of China LED chips industry in 2015 showed the following characteristics:

- Technology and product performance had been improved, and the chips quantity increased with epitaxial wafer of same size.
- The operation rate and capacity utilization arose rapidly, reaching 85% and 70% respectively in 2015.
- Customers were more willing to adopt China-made chips that the replacement rate was over 65%.
- Market concentration became higher while around 10 chips manufacturers, including large enterprises, ceased production or exited the industry in 2015.

The total revenues of China top five LED chips manufacturers in 2015 were expected to reach RMB 7 billion, representing 64.8% of domestic enterprises production value. Affected by the slowdown in demand and fierce competition, China LED chips manufacturers slowed down its expansion in 2015 by acquiring fewer MOCVD equipments. The increase in MOCVD equipments in 2015 was around 100 units, and the total quantity held by Chinese manufacturers amounted to 1,272 units.

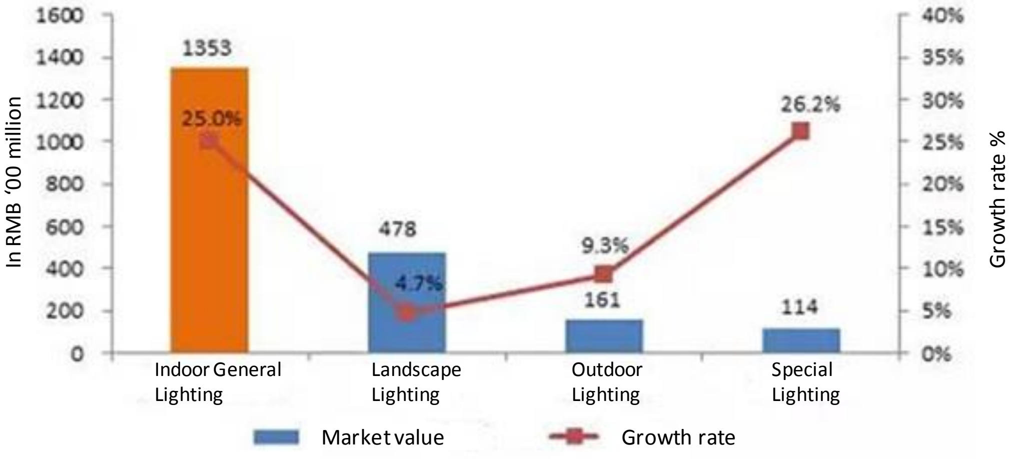
As indicated by GGII's report, the market value of China LED lighting industry of 2015 was RMB 210.5 billion, increasing 18.5% year-on-year. The growth rate lowered 26.4% comparing to 2014.



Source: GGII，2016/04

Figure 57 Market Value of China LED Lighting, 2010~2015

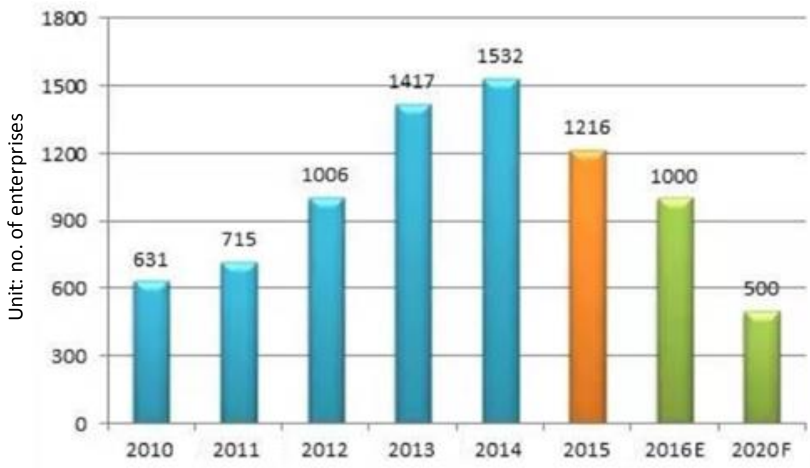
The slowdown in 2015 LED lighting market affected LED indoor lighting most. The market value of China LED indoor lighting reached RMB 135.3 billion in 2015 at a growth rate of 25%, 48% lower than that of 2014. Despite that, LED indoor lighting still drives the growth of LED applications industry.



Source: GGII，2016/04

Figure 58 Market Value and Growth of China LED Lighting by Segment, 2015

In regard with LED packaging industry, global market value of 2015 reached RMB 112.1 billion, increasing 7.4%, out of which the China LED packaging accounted for RMB 64.2 billion (including imported package components and domestic products by international enterprises), increasing 13%. Deducting the consumption by Chinese market, the market value of LED packaging in other countries totaled RMB 47.9 billion with annual growth of 0.6%. China has become the dominant base for production and consumption of global LED packaging industry. With the strengthening of China packaging manufacturers, China LED packaging industry is gaining more important position worldwide.



Source: GGII，2016/04

Figure 59 Number of Chinese LED packaging Manufacturers, 2010~2020

The market value of China LED packaging industry benefited from the rapid growth of LED lighting market. During 2010~2014, the market value of China LED packaging enjoyed rapid growth with annual growth rate exceeding 18%. In 2014, it reached RMB 56.8 billion with year-on-year growth rate of 20.1%. In 2015, due to the worldwide economic downturn, the demand for LED applications is under expectation. The oversupply in China LED market led to sharp decline in prices of both LED chips and packaging components. The market value of China LED packaging industry was RMB 64.2 billion at annual growth rate of 13%, 7.1% lower than that of 2014.

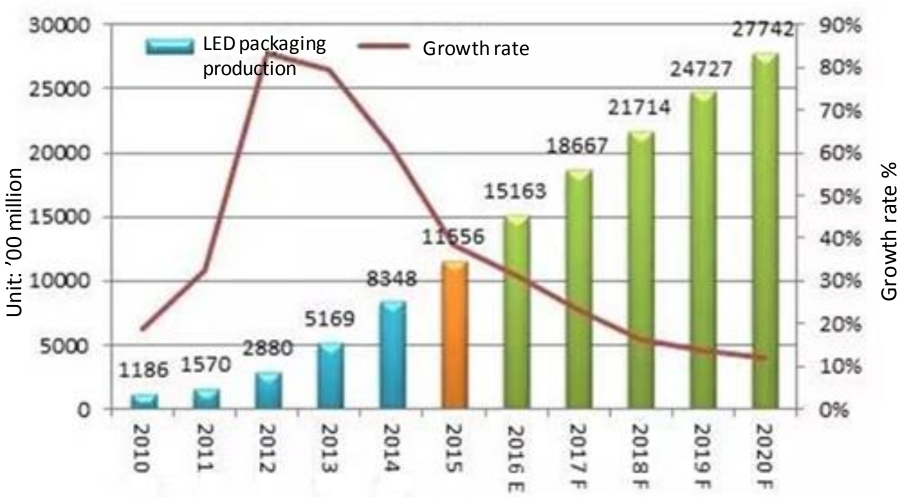
GGII forecasted that as the global economic downturn remains, the demand for LED will not be sufficient, and the industry growth will be slow. However, the oversupply condition will be eased given less investment in expansion, and the price will return rational. Overall, the growth of market value of China LED packaging industry will bounce in 2016, as indicated by GGII, and the market will be further concentrated in response of the adjustment of market.

In the upcoming years, the competition in China LED packaging industry will be clearer, and the demand for LED applications will be steady. As such, the market value will grow at a steady pace in the next few years with CAGR of 6%, estimated by GGII.

Source: GGII，2016/04

Figure 60 Market Value of China LED packaging Industry, 2010~2020

In accordance with GGII's statistics, the demand for LED packaging in China had boosted rapidly during 2012~2014, with annual growth rate of over 60%. In 2015, as a result of slowdown in demand and the intense of competition, the annual growth of LED packaging demand decreased. As of the end of 2015, the demand for LED packaging reached 1,160 billion units, increasing 38.4% annually.



Source: GGII，2016/04

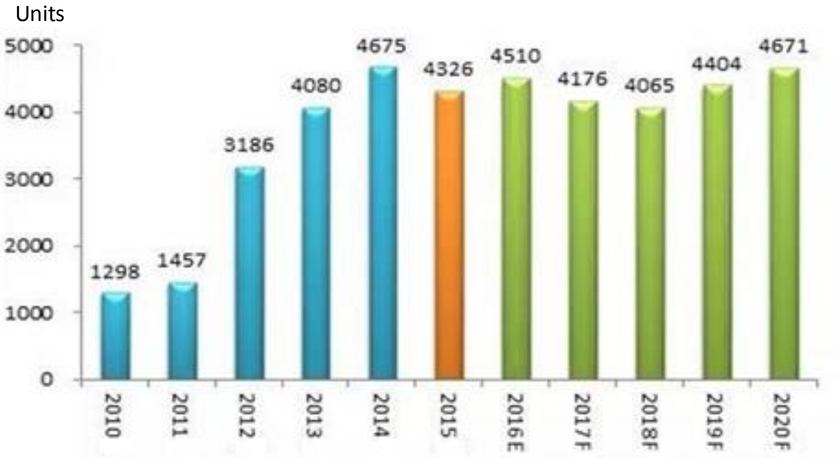
Figure 61 Demand for China LED Packaging Industry, 2010~2020

In line with the development of LED industry, the performance of and the demand for equipments improved rapidly. The demand for LED packaging equipments, the necessary instruments of production, also increased at a fast pace. Furthermore, with the improvement of equipment efficiency, the depreciation cycle shortened, resulting in the growth of equipment replacing market.

With the emerging of new entrants and the expansion by existing LED packaging manufacturers, the shipment of China LED packaging equipments increased fast during 2012~2014. In 2011, the shipment was 1,457 units, and then increased to 3,186 units in 2012, and further increased to 4,675 units in 2014.

In 2015, due to the slowdown in demand and the intense competition, the substantial LED packaging manufacturers continued to expand, while those of smaller sizes defended for its market share or exited the market. As of the end of 2015, the shipment of China LED packaging equipment was 4,326 units, reflecting the first decline in history.

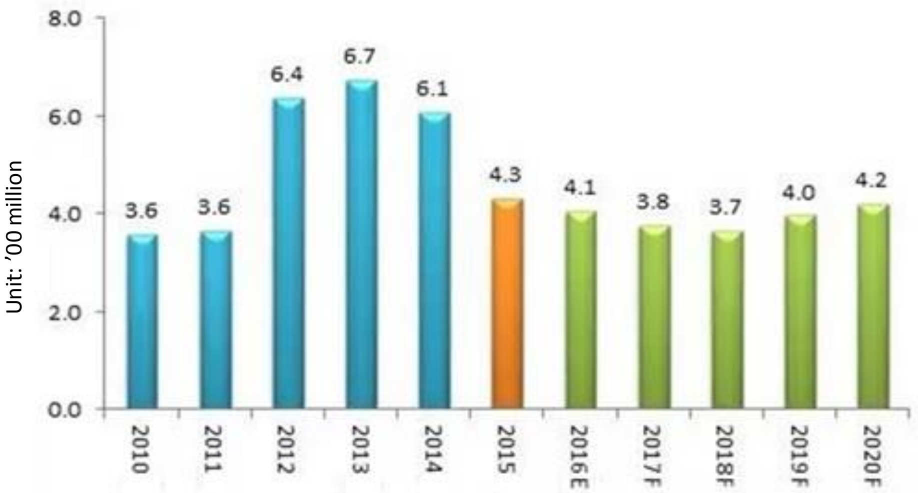
GGII indicated that the oversupply condition in LED industry can be slightly eased as many mid- sized and small enterprises withdrew from the market. Also the demand for LED packaging equipments will be increased comparing to 2015, as a result of the increase in LED packaging demand. However, since the expansion plans of leading companies gradually come to the end, the demand for LED packaging equipments in China will slightly decline in the next two years. The demand for equipment replacement will outperform that for equipment acquirement.



Source: GGII，2016/04

Figure 62 Shipment of China LED Packaging Equipments, 2010~2020

The statistics by GGII revealed that the market value of China LED packaging equipments exceeded RMB 0.6 billion each year during 2012~2014. Influenced by the decline in shipment and price, the market value of China LED packaging equipments was merely RMB 0.43 billion, decreasing 29.5% against 2014.



Source: GGII，2016/04

Figure 63 Market Value of China LED Packaging Equipments, 2010~2020

As China's role in global LED industry becomes more important, international enterprises reinforce their foothold in Chinese market. At the mean time, the Chinese companies in the leading position also focus on expansion and resource integration.

GGII expected that the development of China LED packaging industry in 2016 will be as follows:

◆ The importance of China, as global production base of LED packaging components, will be further advanced. The percentage of China-made components will rise rapidly in all kinds of applications, including backlights, enhancing the pricing power of Chinese companies.

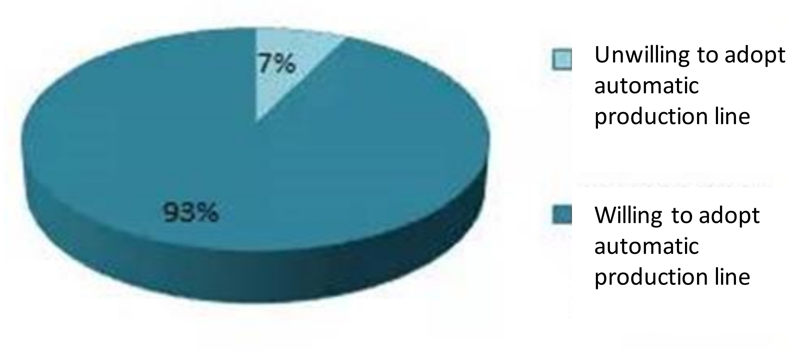
- The elimination in LED packaging industry will come soon. Under the situation that international enterprises and domestic major players keeps to expand and the price level has reached the bottom line, the major players can still sustain profits by centralized procurement and economy of scale, while smaller companies gain no growth in revenue and profit and lose their position for survival. It is only a matter of time for those companies to exit.

- The market will quickly become more concentrated. In 2016, the level of concentration for China LED packaging industry will raise rapidly, making RMB 1 billion a bench mark for LED packaging companies.

- Chip Scale Package, CSP, will rise. CSP was a hit issue in 2015. However, it did not popularize due to a series of constraints. In 2016, materials and parts for CSP are expected to come to the market. With adequate technologies and materials, CSP is supposed to emerge.

- GGII concluded that after years of development, China LED packaging industry has entered into maturity from rapid growth. High market concentration, the bigger the stronger, and the rational competition will be the main features of the industry. Therefore, GGII expected a decrease in number of China LED packaging manufacturers in2016, and the competition will be clearer and steadier in 2020.

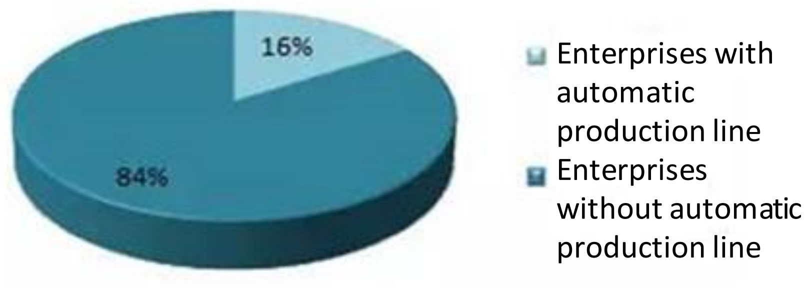
The rise in labor cost and human resource management cost and the higher standard for product quality help create demands for automatic production of LED lighting industry. According to GGII, 25 out of 27 lamp manufacturers interviewed are willing to adopt automatic production line. Only those of smaller size did not have such demand due to low shipment.



Source: GGII，2016/04

Figure 64 Interview Results with China LED Lamps Manufacturers for Adoption of Automated Production Line, 2015

Even though 93% of enterprises hold positive attitude for automatic production line, only few companies own it. Among 25 companies that are willing to adopt automatic or semi-automatic production line, only 4 of them actually own it, accounting for 16%. GGII believed that when LED lighting reaches its golden age, the penetration rate will rise rapidly and the lighting industry will reshuffle. It will also be the key point that LED lamps automatic production equipments start to popularize rapidly.

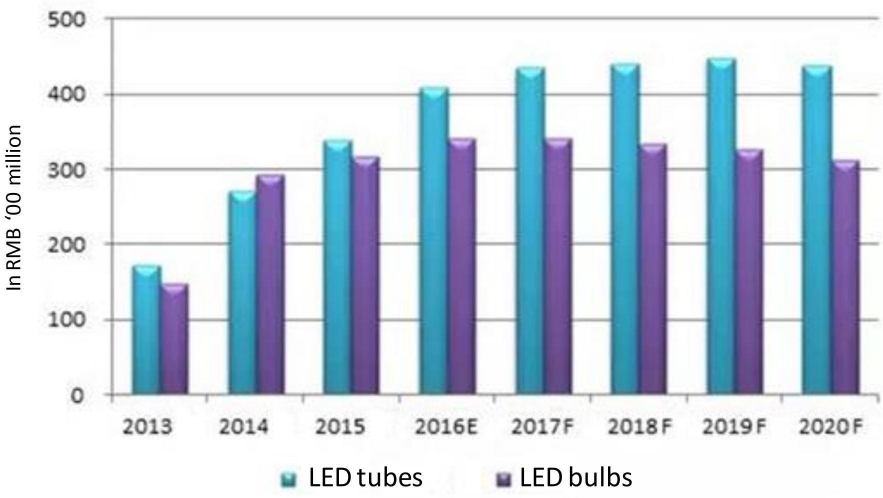


Source: GGII，2016/04

Figure 65 Degree of Automation of China LED Lamps Manufacturers, 2015

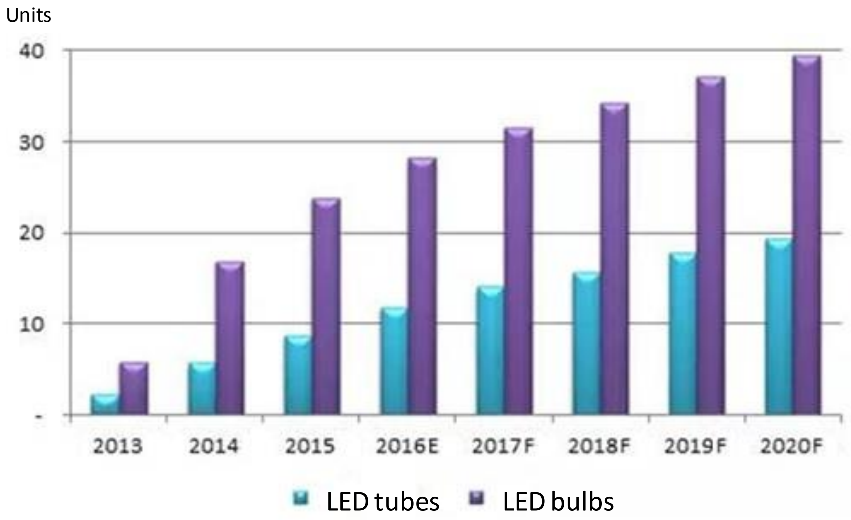
Limited by the complexity of production, human-controlled factors and the quantity of orders, so far LED automatic production equipments mainly apply to production and assembly of LED bulbs and tubes. As indicated by GGII's statistic data, the market value of LED bulbs in China reached RMB 31.77 billion in 2015, increasing by 9% year-on-year, and that of LED tubes reached RMB 33.88 billion, increasing by 25.4%% year-on-year.

In terms of sales, LED bulbs sold in China in 2015 reached 2.375 billion units, with annual growth rate of 41%, while LED tubes sold reached 0.879 billion units, with annual growth rate of 54%.



Source: GGII，2016/04

Figure 66 Market Value of LED Tubes and Bulbs in China, 2013~2020



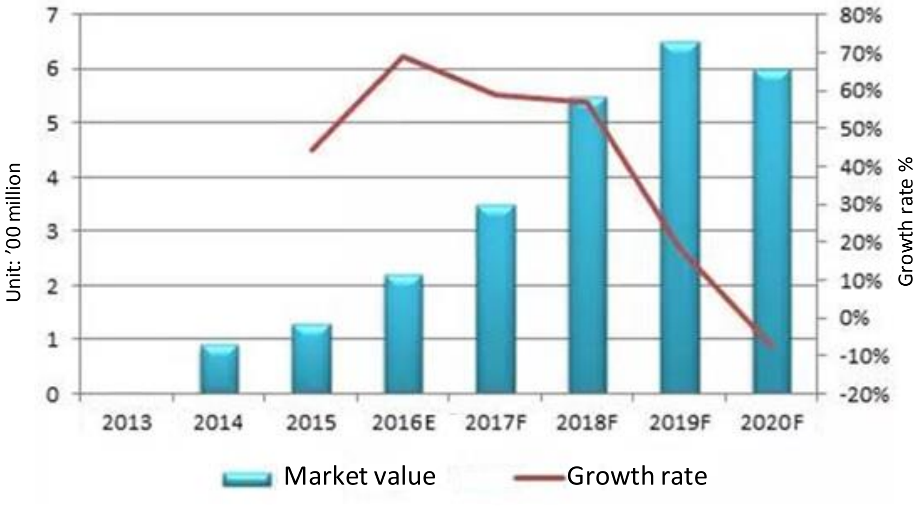
Source: GGII，2016/04

Figure 67 Market Demand for LED Tubes and Bulbs in China, 2013~2020

As known by GGII, the production rate of LED bulbs automatic production line can reach 1.2K units per hour, and that of LED tubes can reach 1K units per hour. If all products were manufactured by automatic production equipments, the demand for LED bulbs and tubes automatic production equipments in China would be around 500 sets. Based on average annual demand increase, the annual demand for new automatic production equipments will be around 100 sets.

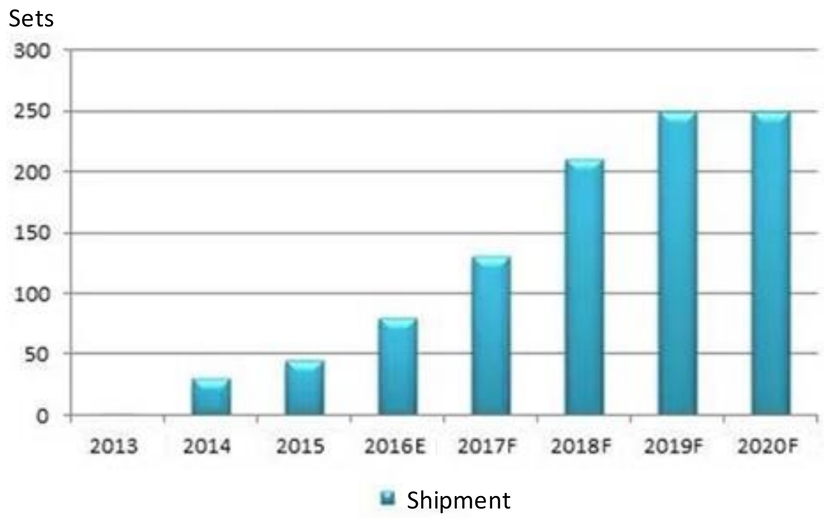
According to the shipment of LED lamps automatic production equipments in China amounted to 30 sets in 2014 with market value of around RMB 90 million. In 2015, the shipment increased to 45 sets with market value of around RMB 130 million, and the penetration rate was 15%. In 2016, GGII expected the shipment will be further increased to 80 sets with market value of RMB 220 million. The CAGR of LED lamps automatic production equipments in China will exceed 60% in the next three years.

In the next three years, China will welcome the golden age for LED lamps automatic production equipments, says GGII. The growth rate will not slow down until 2019. In the future, the market will mainly rely on equipment replacement supplemented by exports.



Source: GGII，2016/04

Figure 68 Market Value of LED Lamps Automatic Production Equipments in China, 2013~2020



Source: GGII，2016/04

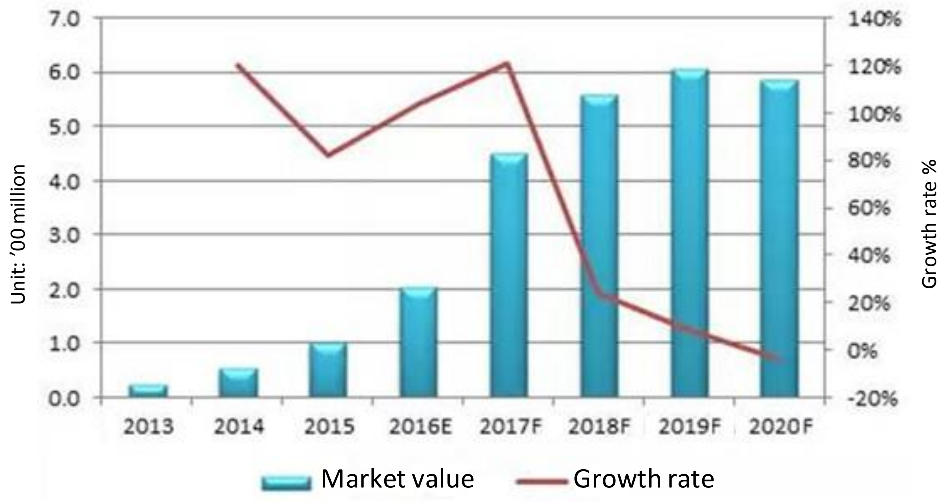
Figure 69 Shipment of LED Lamps Automatic Production Equipments in China, 2013~2020

The flexibility of automatic production equipments is comparatively low as it has higher requirement for specification of materials. The intervals of upgrades in LED material market may be as short as one to two years. Adoption of automatic production equipments requires huge investments at the beginning. If it cannot be paid back within two years, the return on investment will be low. The return on investment is the biggest concern for companies to adopt automatic production line.

Currently, semi-automatic production equipment is more popular than full-automatic ones. LED semi-automatic production equipment mainly applies automatic production to a certain process of lamps manufacturing, dispensing for example. Semi-automatic production equipment has no lower limit to capacity, thus it is suitable for companies of all sizes with stronger cooperativeness.

The techniques and materials used in LED lamps manufacturing has become steady after years of development. The increasing demand led to investment in automatic equipment by the manufacturers. Of concern with the uncertainty of return on full-automatic production equipments, demand for semi-automatic production equipments accelerated. In addition, for some lamps such as LED down lamps and spot lights which are constrained by human-controlled factors and limited orders, full-automatic production equipments do not apply, but the demand for semi-automatic production equipment for certain process continues to rise.

GGII's statistics showed that the shipment of China LED lamps semi-automatic production equipments in 2014 was around 250 sets with market value of RMB 60 million. In 2015, the shipment increased to 500 sets with market value of RMB 100 million. In 2016, a rapid growth is expected by GGII of the shipment to 1,200 sets with market value amounting to RMB 200 million. The CAGR of China LED lamps semi-automatic production equipments will be over70% in the next three years.



Source: GGII，2016/04

Figure 70 Market Value of LED Lamps Automatic Production Equipments in China, 2013~2020

Upon its huge demographic dividend, China has become the largest LED production base in the world. Nevertheless, as its demographic dividend is falling, China is also losing its advantage of economy of scale. To maintain the advantage, industry upgrading is the way that China must take. Moving from man-made production to smart production, highly automation should be implemented in the production processes.

Replacing labor by automatic production equipments can not only reduce human-controlled factors, assure product quality and improve product competitiveness, but also can accelerate processing speed, raise accuracy and reliability, achieve better utilization of warehouses and space. Overall, it will further lower manufacturers' operation costs and enhance their competitiveness.

After years of cultivation, LED lamps automatic production equipments start to achieve maturity that more than 10 manufacturers have implemented successfully. Even though the adoption rate of LED lamps automatic production line is still low in China, the first step had been taken in the last two years comparing to the prior years, and the multiplication will be seen in the next few year. GGII expected that in the next few years the LED lighting market will be highly concentrated as the market controlled by few manufacturers. At that time, the industry of automatic production equipments will welcome the prosperity.

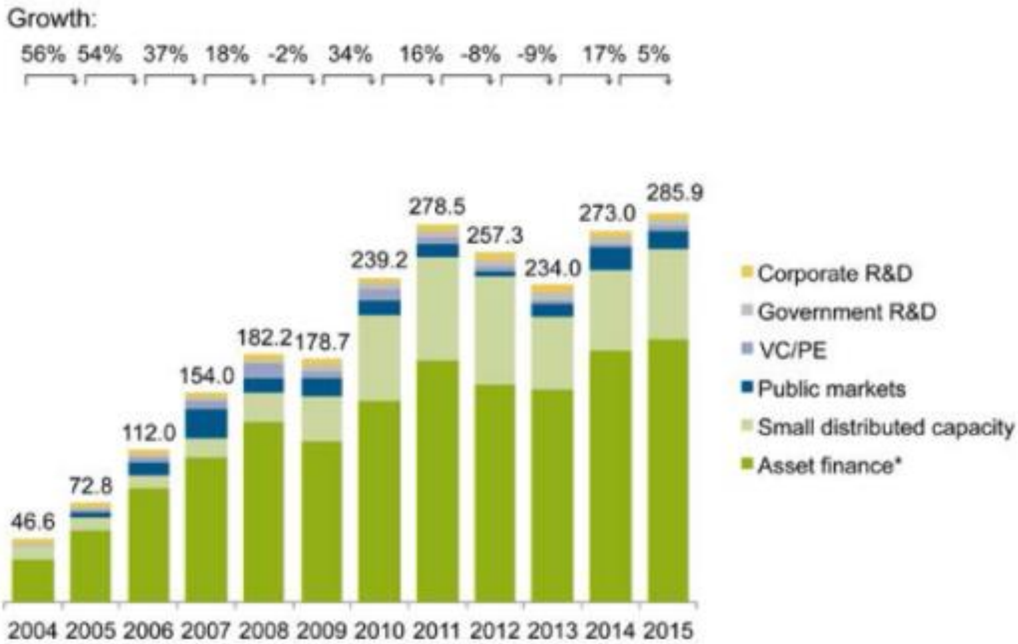
In 2016, the trend to switch from traditional lighting products to LED products will continue in China lighting industry. The market demand will remain strong, and highly growth can be expected in the short term but gradually become steady. Moreover, the market competition in price will be fierce. LED lighting industry is recognized by Chinese government as a prosperous energy-saving industry, as well as one of the seven strategic industries to be developed by the government. 2016, as the beginning of China's 13th "five-year plan," the government will emphasize 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. The LED lighting industry will be further developed by the favorable policies and subsidies presented by the government to encourage energy-saving and eco-friendly industries.

(4) PV Industry

(4.1) Status and Prospects of Global PV Industry

Global investment in renewable energy reached record levels of $286 billion in 2015 and accumulated amount of 2.3 trillion (inflation not included) over the past 12 years, according to a new report (Global Trends in Renewable Energy Investment 2016) from the UN Environment Programme (UNEP). The investment poured in renewable energy mentioned in the report included wind, solar, biomass and waste-to-energy, biofuels, geothermal, marine energy and small hydropower except large hydropower with scale more than 50 megawatt. In addition, the investment in renewable energy reached a record $286bn in 2015 and was up 3% surpassed the previous peak of $278bn in 2011. The 4 milestones also show, for the first time, that more renewable power capacity was added than other sources and that renewable energy investment was mostly in developing countries.

Unit: UD$ billion



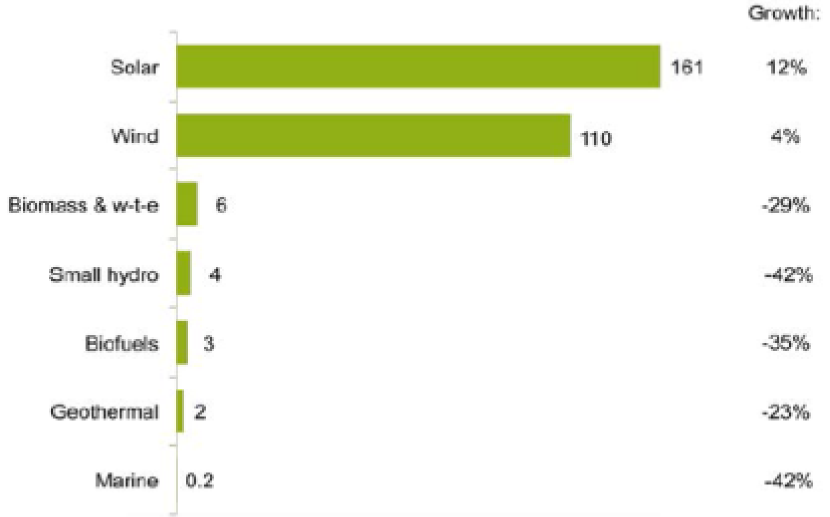
Note：Asset finance volume adjusts for re-invested equity. Total values include estimates for undisclosed deals.

Source: UNEP，Bloomberg New Energy Finance，2016/03

Figure 71 Global new investment in renewable energy by asset class, 2004~2015

Solar power had a particularly good year, according to UNEP, with a 12% increase in investment to US$161 billion globally, while the boost to wind was much smaller, an increase of about 4% in dollar terms to US$110 billion. Biomass energy plants and biofuels also dropped significantly, as did geothermal energy systems and wave and tidal energy. Many green campaigners are likely to cheer the diminishing investment in controversial biofuels – down 35% to US$3 billion – and biomass – a fall of 42% to US$6 billion, when waste-to-energy plants are included. But the relatively tiny amounts invested in the promising geothermal technology, which dropped by more than a fifth to US$2 billion, and the paltry showing of marine energy – a plunge of 42% to only US$215 million – will be of concern to those hoping that these technologies could plug the gaps for regions where solar and wind power are less practical.

Unit: US$ billion

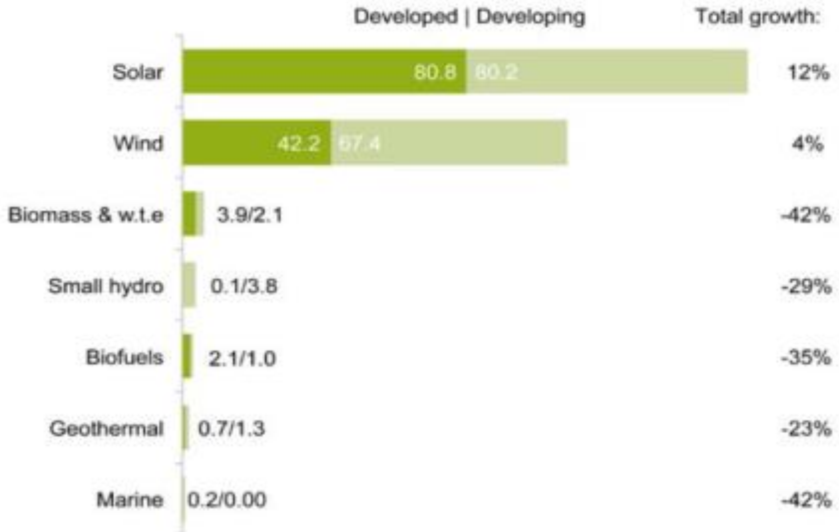


Note：New investment volume adjusts for re-invested equity. Total values include estimates for undisclosed deals.

Source: UNEP，Bloomberg New Energy Finance，2016/03

Figure 72 Global new investment in renewable energy by sector, 2015, and growth on 2014

Unit: US$ billion



Note：Total values include estimates for undisclosed deals. New investment volume adjusts for re-invested equity. Includes estimates for small distributed capacity, corporate and government R&D. Developed volumes are based on OECD countries excluding Mexico, Chile, and Turkey.

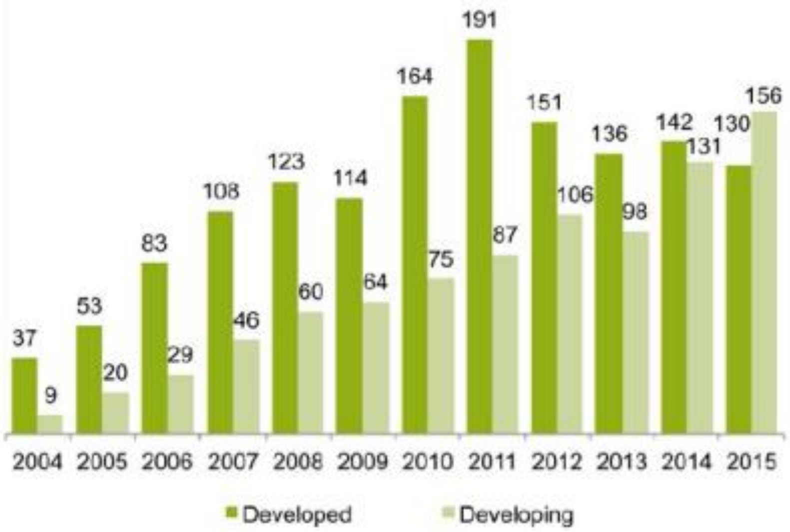
Source: UNEP，Bloomberg New Energy Finance，2016/03

Figure 73 Global new investment in renewable energy: developed v. developing countries, 2014~2015

The UNEP report shows, for the first time that most renewable energy investment was in developing nations and accounted for 36% of the global total. This trend appears to be accelerating as ambition soars in China and India, while stalling across Europe. The stand-out contribution to the rise in the investment to a new record came from China, which lifted its outlays by 17% (YOY) to US$102.9 billion. The investment helped by project development in India up to 22% (YOY) at US$20.2 billion, in South Africa up to 329% (YOY) at US$4.5 Billion, in Mexico up to 105% (YOY) at US$4 billion and in Chile up to 151% (YOY) at US$3.4 billion. A large part of the record-breaking investment in developing countries and 17 times their figures for 2004.

Investment in Europe however, plunged from US$62 billion in 2014 down to 21% at US$48.8 billion in 2015 – the lowest figure in almost a decade. But despite the drop in investment, Europe still beat the United States which increased investment by close to 19 % to $44.1 billion. In Japan investment was much the same as the previous year at $36.2 billion.

Unit: US$ billion

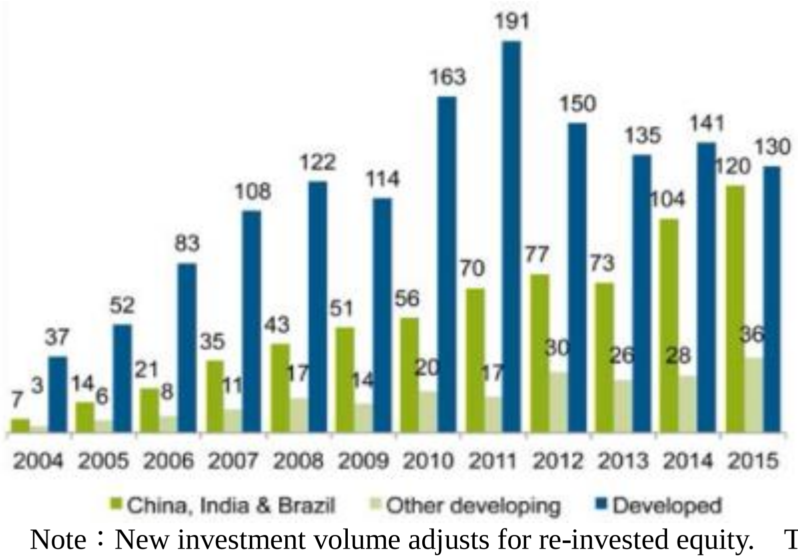


Note：New investment volume adjusts for re-invested equity. Total values include estimates for undisclosed deals. Developed volumes are based on OECD countries excluding Mexico, Chile, and Turkey.

Source: UNEP，Bloomberg New Energy Finance，2016/03

Figure 74 Global new investment in renewable energy: developed v. developing countries, 2014~2015

Unit: US billion

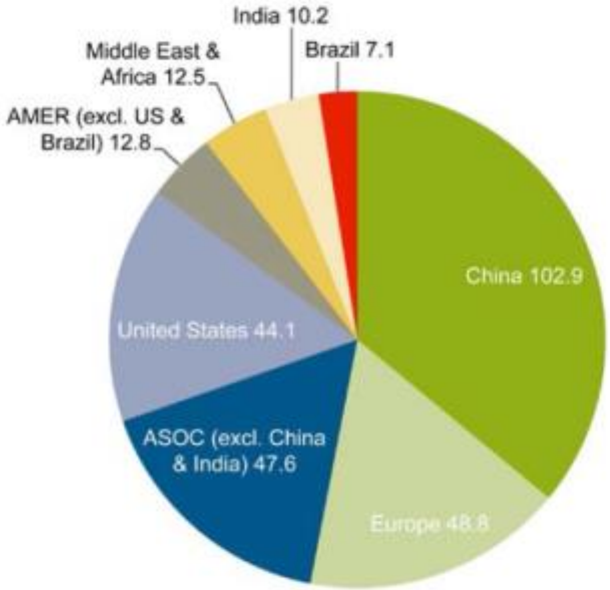


Note：New investment volume adjusts for re-invested equity. Total values include estimates for undisclosed deals. Developed volumes are based on OECD countries excluding Mexico, Chile, and Turkey.

Source: UNEP，Bloomberg New Energy Finance，2016/03

Figure 75 Global new investment in renewable energy: split by type of economy, 2014 - 2015

Unit: US billion



Note：New investment volume adjusts for re-invested equity. Total values include estimates for undisclosed deals..

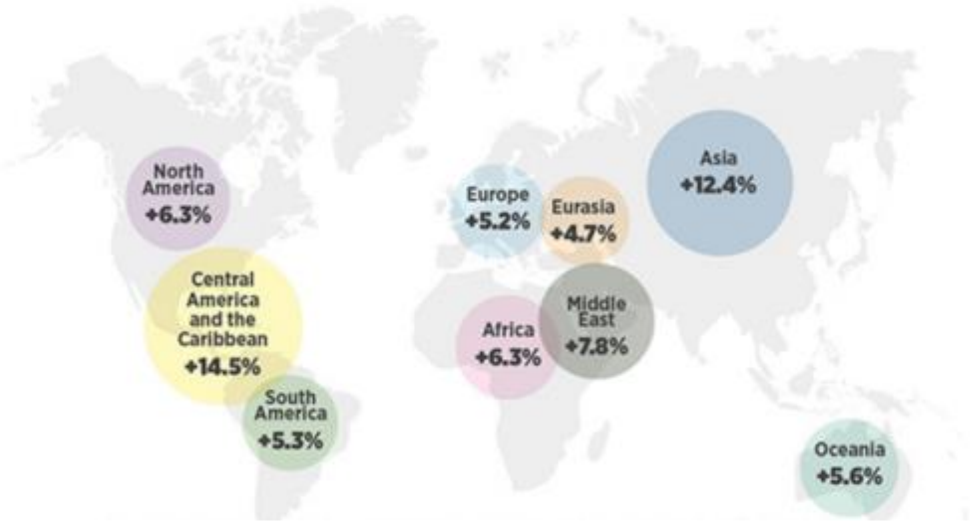
Source: UNEP，Bloomberg New Energy Finance，2016/03

Figure 76 Global new investment by region，2014~2015

In 2015, the PV market broke several records and continued its global expansion at 50 GW. Around 227 GW of PV are now installed globally.

2015 was a record year for solar capacity increased up to 22% (YOY) at 47 GW. "Renewable Capacity Statistics" 2016 finds that as of the end of 2015, 1,985 GW of renewable generation capacity existed globally. Renewable energy generation capacity increased by 152 GW or 8.3%, wind power increased by 63 GW or 17%, hydropower by 3% and geothermal by 5% during 2015, the highest annual growth rate on record, according to new data released by the International Renewable Energy Agency (IRENA). In addition, falling costs for renewable energy technologies, and a host of economic, social and environmental drivers are favoring renewables over conventional power sources, said IRENA. This impressive growth, coupled with a record US$286 billion invested in renewables in 2015, sent a strong signal to investors and policymakers that renewable energy is now the preferred option for new power generation capacity around the world."

In terms of regional distribution, the fastest growth in renewable generation capacity came in developing countries where Central America and the Caribbean expanded at a rate of 14.5%. In Asia where capacity expanded at a rate of 12.4%. Capacity increased by 24 GW or 5.2% in Europe and 20 GW or 6.3% in North America.



Source: IRENA

Figure 77 Renewable Energy Generation Capacity Growth Rate by Country

According to data of PV installed capacity released by IEA PVPS and IREN in 2015, 15.15 GW and 15 GW separately by IEA PVPS and IRENA were close to 15.13 GW the official data released by National Energy Administration of China and ranked in 1st place in 2015. Also, China reached 43 GW and the leader in terms of cumulative capacity with 43 GW.

According to data of PV installed capacity by IEA PVPS and IRENA in 2015, 11 GW and 10 GW were released separately by IEA PVPS and IRENA, and ranked as 2nd. The aforesaid data had discrepancy with PV module shipment of 7.86 GW calculated and announced by JEPA and SOLARZOOM

The data released by IEA PVPS and IRENA in 2015, 7.3 GW and 7.26 GW, were close to SEIA of the US. And the US was with large-scale and third-party ownership dominating.

The largest European market in 2015 was UK with 3.5 GW officially announced by England and ranked as 4th. And data of 3.51 GW and 3.7 GW were released separately by IEA PVPS and IRENA.

India progressed significantly and up to 2GW in 2015 according to data by IEA PVPS. And it increased up to 1.095 GW and 141% (YOY). The module shipment from China has continuous growth since June 2015 and increased to 100% (YOY) according to exportation data by SOLARZOOM.

The above top 5 countries led the 80% of global PV installed capacity.

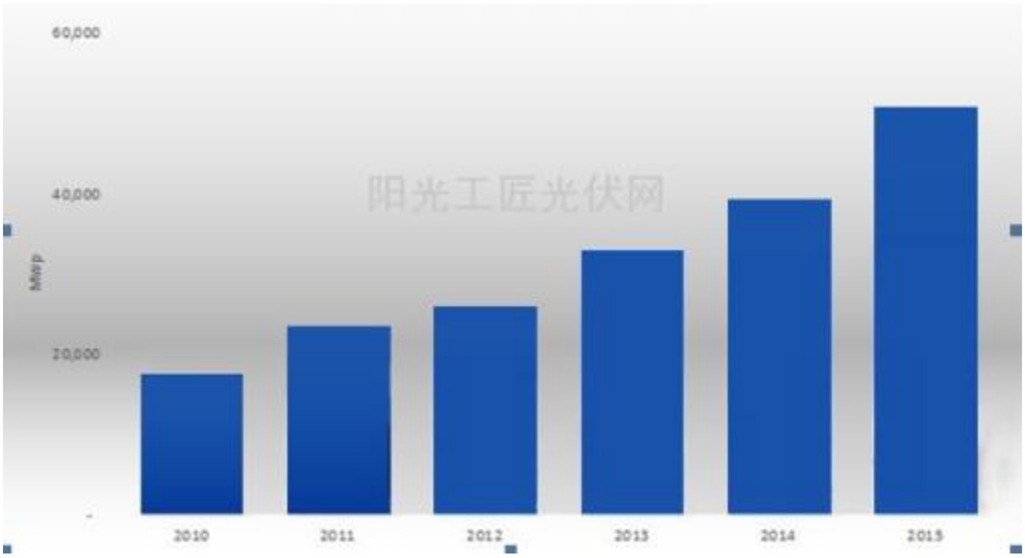
The PV installed capacity, 1.45 GW and 1.4 GW released separately by IEA PVPS and IRENA, ranked as 6th. The aforesaid data had discrepancy with 1 GW released by SOLARZOOM according to the official data announced by Germany

Table 26 PV Installed Capacity by Country, 2015

Country	IEA PVPS	IRNEA
	MW	MW
China	15,150	15,000
Japan	11,000	10,000
U.S.	7,300	7,260
England	3,510	3,700
India	2,000	1,905
Germany	1,450	1,400
Korea	1,010	692
France	879	895
Others	5,811	6,146
Total	48,110	46,998

Source: IEAPVPS; IRENA, 2016/04

The global solar cell shipments (power generating element) reached 50.8GW and increased by 29% in 2015. The top 10 manufacturers accounted for 53% according to SPV Market Research report (The Photovoltaic Manufacturer Shipment Report).

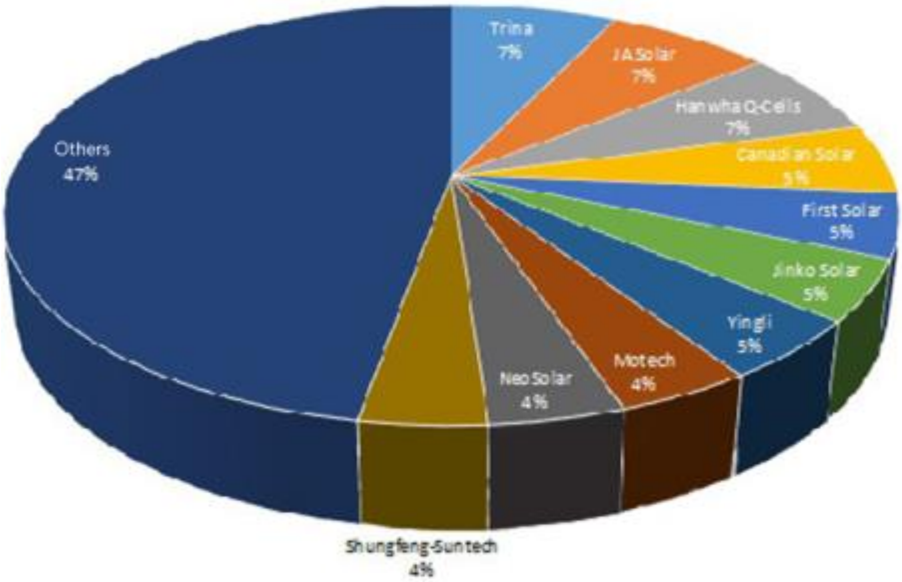


Source: SPV Market Research, 2016/04

Figure 78 Global Solar Cell Shipment, 2010 - 2015

In terms of manufacturers' shipments, Trina Solar ranked in the 1st place in 2014-2015 and reached 3.63 GW in 2015. Trina Solar accounted for 7% of global shipments and just completed the acquisition of SollSolar – a Dutch solar cell manufacturer.
Followed by JA Solar, the shipments reached 3.62 GW and increased by 29% per annum since 2014 which lessened the gap with Trina Solar.

Hanwha Q-Cells famous all over the world ranked in the 3rd place in shipments of 3.4 GW. The company has solar cell plants allocated in 5 countries including China, Germany, Malaysia and Korea.



Source: SPV Market Research「Annual Photovoltaic Manufacturer Shipment report」, 2016/04

Figure 79 Top 10 Solar Cell Companies by % Distribution, 2015

The report presented that Q-Cells shipments increased by 69% at 2.2 GW in 2015 and contributed a lot to Korea in solar cell.

Suntech Power shipments previously ranked in the 1st place in 2010 and 2012, but bankrupted in 2013 and was acquired as well as merged by Shunfeng Photovoltaic .

Furthermore, Shunfeng Photovoltaic acquired 63% shares of Suniva and expanded the production capacity to the US market in 2015. Of which made Shunfeng Photovoltaic back on the top 10 list.

Except Fist Solar ranked in the 5th, the others on the top 10 list all have their major production base in China.

There was no Japanese manufacturer shown on the top 10 list in 2015. Even in 2014, well known manufacturers like Sharp, Hitachi, Mitsubish and SolarFrotier were not on the top 10 list except Koycera.

Sharp enjoyed the long championship within 2001 – 2007. 2012 was the last year for Sharp on the top 10 list and ranked the 9th.

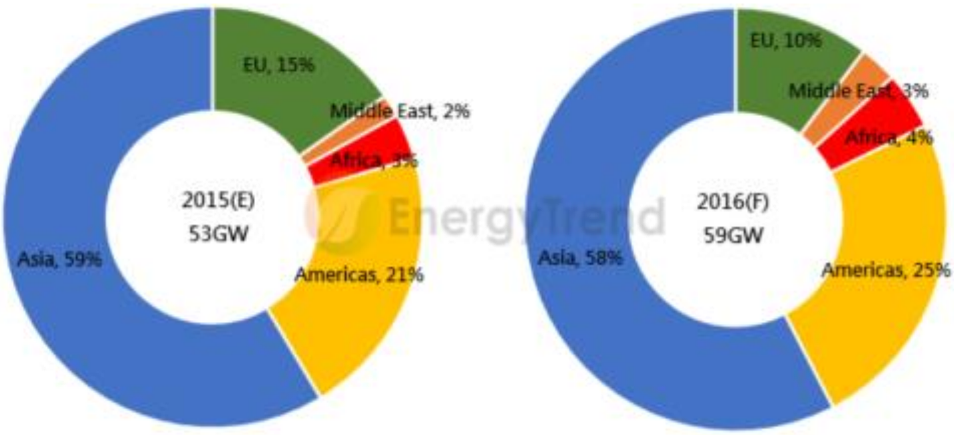
Table 27 Top 10 Solar Cell Companies, 2010 - 2015

	2010	2011	2012	2013	2014	2015
1	Suntech	Suntech	Yingli	Yingli	Trina	Trina
2	JA Solar	First Solar	First Solar	Trina Solar	JA Solar	JA Solar
3	First Solar	JA Solar	JA Solar	JA Solar	Hanwah Q-Cells	Hanwha Q-Cells
4	Yingli	Yingli	Suntech	Canadian Solar	Yingli	Canadian Solar
5	Q-Cell	Gintech	Trina	First Solar	NeoSolar	First Solar
6	Sharp	Trina	Canadian Solar	Hareon	Jinko Solar	Jinko Solar
7	Trina	Motech	Motech	Motech	Motech	Yingli
8	Motech	Canadian Solar	Gintech	NeoSolar	First Solar	Motech
9	Gintech	Sharp	Sharp	Jinko Solar	Canadian Solar	NeoSolar
10	Kyocera	Jinko Solar	NeoSolar	Gintech	Kyocera	Shungfeng-Suntech

Source: SPV Market Research「Annual Photovoltaic Manufacturer Shipment report」, 2016/04

Manufacturers from China are expanding their production capacity in the US, Mexico and other countries, and will continuously dominate the top 10 of global shipments. By the end of 2015, the global cumulative solar cell shipments reached 215 GW, and is expected to reach 1TW (1000GW) in 2030 according to SPV Market Research report (The Photovoltaic Manufacturer Shipment Report).

Spurred by major (China, the US and Japan) and emerging markets, global photovoltaic (PV) demand grew substantially in 2015. According to the report by EnergyTrend, a division of TrendForce, installed capacity worldwide for 2015 is estimated at 53GW, amounting to a 20% year-on-year growth. The total installed capacity in 2016 is expected to reach 59GW, up 11% in annual growth.



Source: EnergyTrend，2015/12

Figure 80　　Global PV Demand, 2015 – 2016

Capacity expansion will also take place across the industry. EnergyTrend stated that first- and second-tier manufacturers in China and Taiwan all have plans to increase cell and module production, either by expanding capacity at home or abroad. Chinese companies especially have been very proactive. This wave of capacity expansion will prevent the possibility of cell and module shortages in 2016, but it will also cause severe market oversupply for both products in 2017.

Source: EnergyTrend, 2015/12

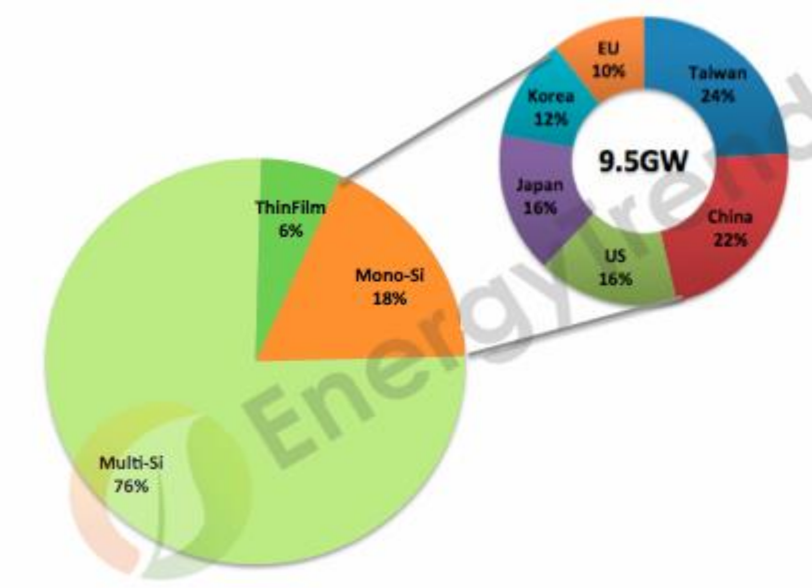
Figure 81 Global PV Supply (2015 – 2016) and 2016 Global Demand Forecast

EnergyTrend said even PV market increased up to 53 GW in 2015, but the Material and the output of Mono-(silicon)cells would be lower than 10 GW. The production cost is the key factory to drive the market growth. The production costs of cells have been falling for many years and there is now very little room for further reduction. Cell manufacturers instead now looking to reduce the overall costs of their products by raising efficiency (thus reducing the cost per watt). Mono-Si PERC cells have higher production costs but can also bring in much higher margins. Hence, this cell technology has become widely adopted.

According to EnergyTrend’s annual mono-Si cell shipment forecast for 2015, Taiwan as the leading producing country may surpass 2 GW. Major Chinese cell manufacturers including JA Solar, Suntech, and DMEGC will push their country’s mono-Si cell shipments to 2 GW. Other regional markets –the US, Europe, South Korea and Japan – will ship around 1 GW - 1.5 GW respectively. Major mono-Si cell manufacturers in those regions include SunPower from the US, SolarWorld from Europe, LGE from South Korea, and Japan’s Sharp and Panasonic. Taken together, this year’s global mono-Si cell shipments are estimated to be under 10 GW. The picture is starkly different in the multi-Si market, where cell manufacturers have been seeing a surge in orders and high capacity utilization rates for multi-Si cell production. Currently, just about 10% of the top-tier global cell manufacturers’ combined capacity is devoted to mono-Si products.

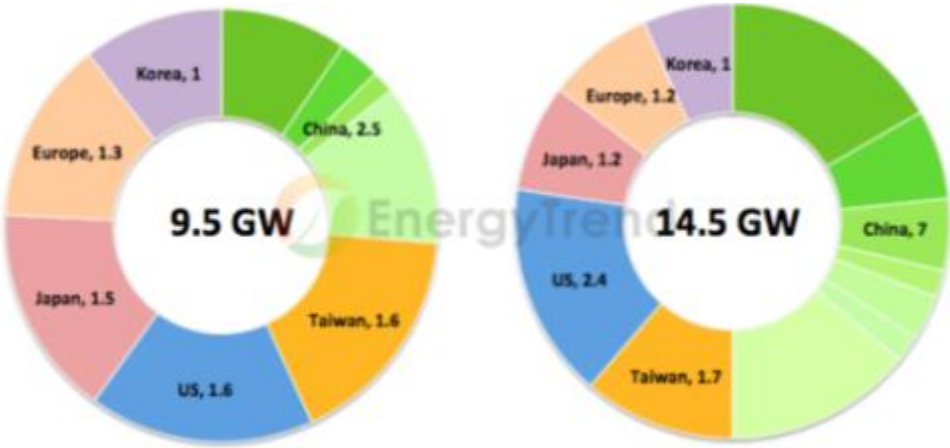
Cell manufacturers have gradually overcome the disadvantages of P-type mono-Si cells (pricing, CTM loss, and LID). Demand for P-type mono-Si cell is therefore likely to pick up as better solutions to LID become available and popular. Based on EnergyTrend’s analysis, the share and the shipments of the mono-Si segment in the global PV demand for 2016 will increase up to 50% (YOY) at 14.5GW compared with 9.5 GW in 2015.

New grounds have also been broken in the manufacturing of modules. Glass-to-glass (G2G) module continues to grab’s market attention as this design technology can do away with aluminum frames and backsheets, thus improving the overall cost structure. In sum, the room for further price reduction in the next year’s module market is relatively large.



Source: EnergyTrend, 2015/11

Figure 82 Projected Total Mono-Si Productions by Country, 2015



Source: EnergyTrend, 2015/11

Figure 83 Mono-Si Cell Production Forecast 2015 - 2016

A few countries belonging to the grid parity zone do not have a feed-in tariff (FiT) program in place, the falling installed costs of PV systems is driving in the installation in these countries. Additionally, the International Solar Alliance (ISA) led by India and France has committed to invest US$1 trillion for renewable energy initiatives in member countries that are located in the tropical region. The next group of PV markets that will advance from the emerging to the mature phase during the 2016 - 2020 period includes Mexico, Brazil, Nigeria, Turkey, Tunisia, Pakistan, Indonesia, Vietnam and the UAE.

Table 28 State of Emerging PV Market

Country	Total Grid-Connected PV Capacity (MW)	Installed PV Capacity Targets (MW)	FiT Program
Brazil	35	8000	No
Nigeria	15	3000	No
Turkey	250	3000	Yes
Pakistan	600	2000	Yes
Tunisia	15	1900	No
Indonesia	50	850	No
Egypt	~100	2600	Yes
Vietnam	10	1500	No
UAE (Dubai)	~15	5000	No

Note 1: Total grid-connected PV Capacity also presents the capacity of all running PV systems in the country.

Note 2: Emerging markets have different deadlines for their respective targets.

Source: EnergyTrend, 2016/02

EnergyTrend pointed out that the levelized cost of electricity (LCOE) of each regional market is determined by daylight hours, labor costs, subsidies and prices of PV modules after taxes. EnergyTrend believed the average installed cost of utility-scale systems worldwide could fall by another 15% year on year by the end of 2017, and the drop in the installed cost could also lower the LCOE of PV energy in some regional markets to US$0.07/kWh and under. In this scenario, the LCOE of utility-scale PV systems in general would be close to that of coal-fired power plants and below that of natural gas power plants. In sum, PV demand continues to grow, and the share of renewable energies in power generation worldwide is expected to expand in the future.

Table 29 Installation Targets of Major Markets and LCOE for Utility-Scale Systems by Country

Market/Country	Installation Target	Share of Renewable Generation	Current LCOE	
			Min	Max
China	150GW by 2020	20% (non-fossil fuel) by 2030	0.08	0.14
Japan	64GW by 2030	22-24%,2030	0.1	0.14
US	-	20% by 2030	0.07	0.12
Germany	66GW by 2030	50% by 2030	0.11	0.17
UK	22GW by 2020	15% by 2020	0.12	0.2
India	100GW by 2022	40% (non-fossil fuel) by 2030	0.08	0.11
Taiwan (Current Govt)	8.7GW by 2030	13.3% by 2030	0.09	0.14
Taiwan (Opposition Party)	13GW by 2025	20% by 2025		

Note: A Utility-Scale system is defined as a PV system with standard silicon crystalline modules that is capable of generating over 10MW

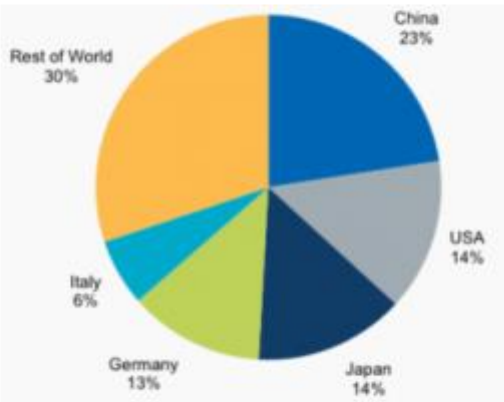
Source: EnergyTrend, 2016/01

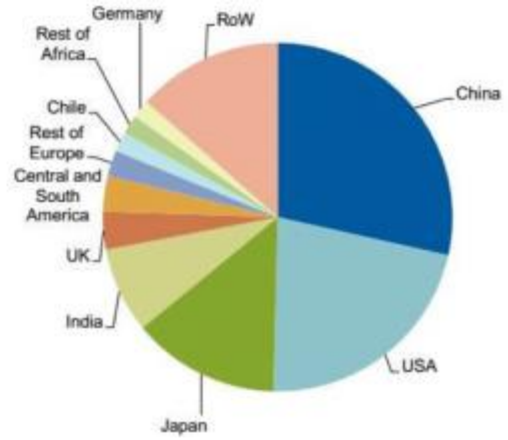
With annual installations stalling, Germany fell from the second-largest installed base for PV to the fourth largest, surpassed by China, the US and Japan. And China is the key driver of the demand.GTM Research predicts that India will become more established, while Brazil will find itself tested to meet its own ambitious targets. Other countries such as the Philippines, Pakistan, and Bangladesh in Asia, and Uruguay, Guatemala, and Panama in Latin America are all expected to continue moving forward and break through the 100 MW barrier. Following the Japan, the US and India, it's expected that the next group will boost the PV market grow during the 2016 - 2020 period

Source: GTM Research, 2016/04

Figure 84 Global PV Demand 2005 – 2020E

IHS analyzed, Global PV installed capacity in 2015 is similar to the data previously released by GTM Research, but additional 3 GW higher than 66 GW of GMT in 2016.
IHS estimated, Global PV installed capacity is expected to increase by 69 GW throughout 2016, compared to 59 GW of annual installations in 2015. The US, India and China will grow by 5.6 GW, 2.7 GW and 0.9 GW, respectively, together accounting for 9.3 GW of the 10 GW increase.
By the end of 2016, cumulative global installed photovoltaic (PV) installations will surpass 310 GW. The five countries accounting for 70 percent of this capacity are China, the US, Japan, Germany and Italy, according to IHS Inc.

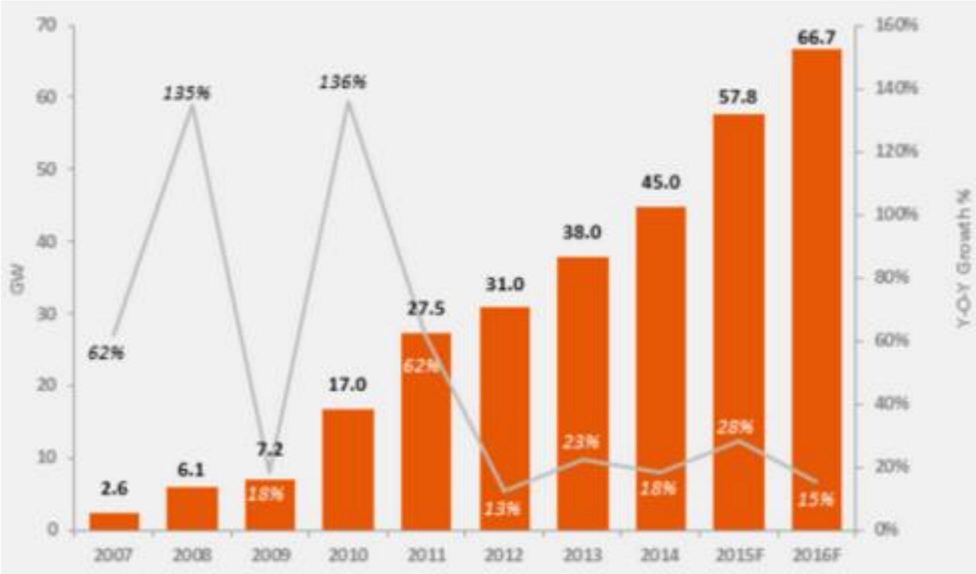




Source: IHS, 2016/03

Figure 85 Cumulative global PV Installations by Country 2016

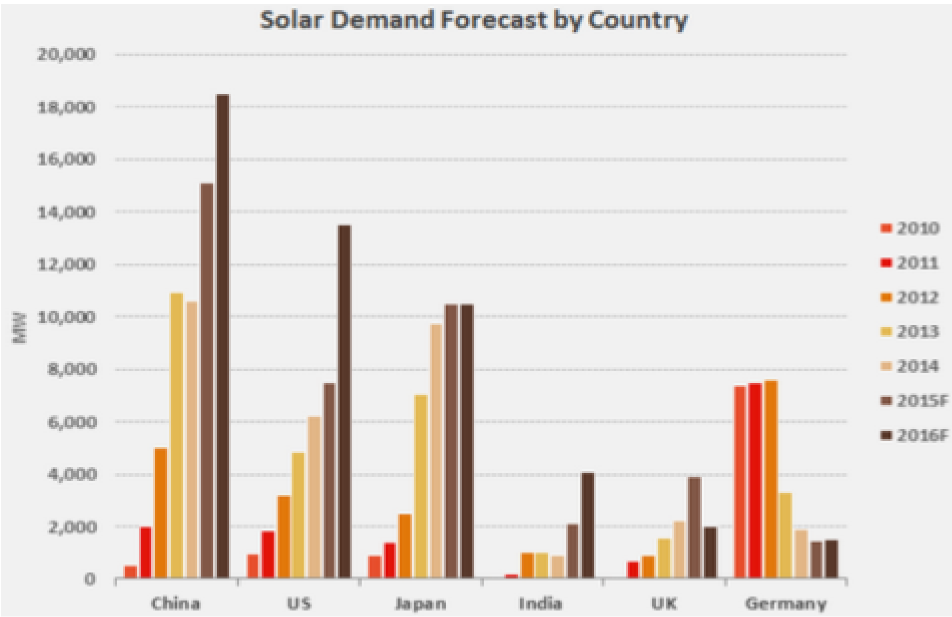
According to Mercom Capital Group's new "Solar Market Update", China, the United States, Japan, and India will make up the top four solar markets in the world this year, pushing total global installations to 66.7 GW.



Source: Mercom Capital，2016/04

Figure 86 Global Solar Forecast 2016

Mercom, a global clean energy communications and consulting firm, expects China to increase its yearly solar installations up from 2015's 15.1 GW to 18.5 GW by the end of 2016. China has already installed almost half of that figure, with new figures from the country's National Energy Administration revealing that China installed 7.14 GW of new solar capacity in the first quarter of 2016 alone, bringing the country's cumulative total up past 50 GW. In the meanwhile, The US market will benefit from the extension of the Investment Tax Credit, with a conservative estimate of 13.5 GW of new solar capacity installed in 2016. Japan is expected to install around 10.5 GW of solar in 2016, pushing hard towards its current goal of 28 GW of new solar installed by 2020. However, Japan cut its feed-in tariff in March by 11%. Finally, Mercom expects India to install over 4 GW in 2016, bringing it into the fourth spot globally. In Europe, the top three markets are the UK, Germany, and France.



Source: Mercom Capital, 2016/04

Figure 87 Solar Demand Forecast by Country 2016

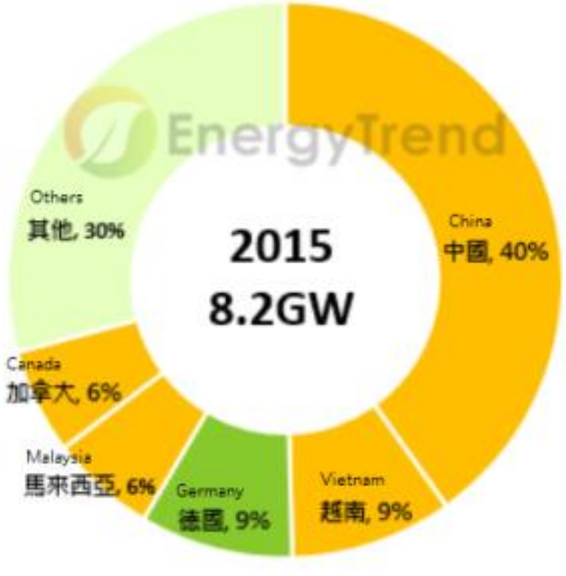
Though subsidy reductions in major markets slew down and caused recession in the PV growth in Europe, also put pressure on module price. The demand and the capacity expansion will be more predictable.

(4.2) Status and Prospects of Taiwan and China PV Industry

According to the data released by Taiwan's Ministry of Economic Affairs Bureau of Energy, the cumulative PV installed capacity was 842MW by the end of 2015 and the installed capacity is 222MW in 2015. The original plan of installed capacity target 500MW in 2015, but failed to achieve. The data presented that the PV installed capacity was 748MW up to October 2015 and 842MW by the end of 2015. There was about 100MW been installed during the last two months in 2015. Initially the Bureau planned the new installed capacity target for 2015 is 300MW, and increased the target to 500MW in April 2015, but the final PV installed capacity in 2015 was 50% behind the target. The reasons why the PV Installed capacity behind the target were mainly caused by: late complementary measures by government and late installation of new PV capacity by suppliers. The amount fell to achieve in 2015 will be mark up on the target of 500MV in 2016; hence, the PV installed capacity target for 2016 will reach 778MW.

Taiwanese cell suppliers previously also exported to Europe and Japan in addition first-tier Chinese PV companies. However, this strategy of reducing the risk of relying on one regional market began to break down last year, when Japanese PV companies reduced their orders for Taiwanese cells due to domestic subsidy cuts.

To save costs, Japanese clients switched from the pricier Taiwanese cells to the more economical products from vertically integrated Chinese manufacturers. Consequently, Taiwanese cell exports to Japan were roughly halved in 2015. As for the European market, demand there has been in a lengthy slump. Hence, Taiwanese cell industry is again relying on orders from major Chinese clients and their OEM partners in Southeast Asia to consume its enormous capacity.



Source: EnergyTrend, 2016/03

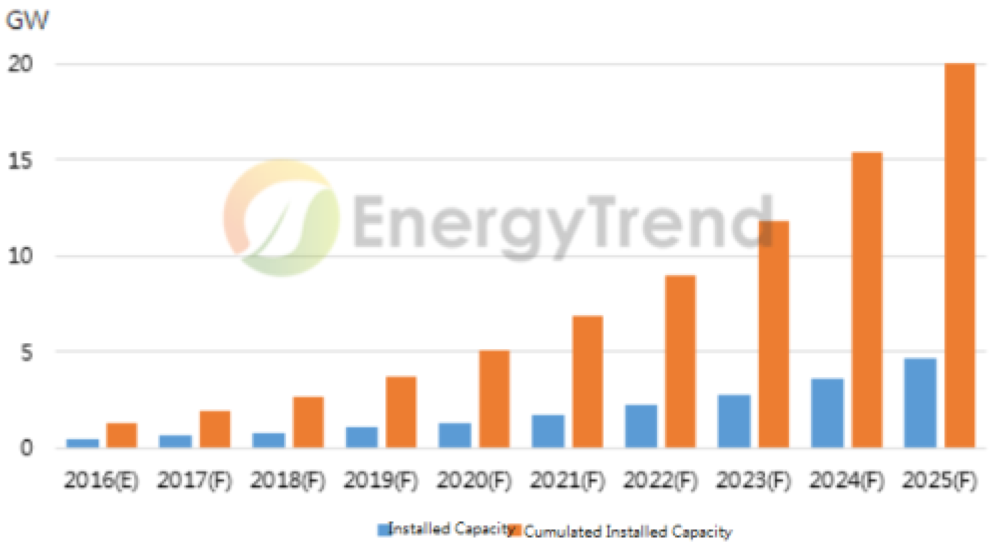
Figure 88 Taiwan Solar Cell Shipment, 2015

EnergyTrend said, subsidy in major markets and the production costs of cells have separately been reduced and falling for many years and the demand will be more clear after the trade disputes receded. Capacity expansion will also take place across the industry. EnergyTrend stated that first- and second-tier manufacturers in China and Taiwan all have plans to increase cell and module production, either by expanding capacity at home or abroad. Chinese companies especially have been very proactive. This wave of capacity expansion will prevent the possibility of cell and module shortages in 2016, but it will also cause severe market oversupply for both products in 2017.

EnergyTrend said, the production costs of cells have been falling for many years and there is now very little room for further reduction. Cell manufacturers instead now looking to reduce the overall costs of their products by raising efficiency (thus reducing the cost per watt). Mono-Si PERC cells have higher production costs but can also bring in much higher margins. Hence, this cell technology has become widely adopted. Cell manufacturers have gradually overcome the disadvantages of P-type mono-Si cells (pricing, CTM loss, and LID). Demand for P-type mono-Si cell is therefore likely to pick up as better solutions to LID become available and popular. Based on EnergyTrend's analysis, the share and the shipments of the mono-Si segment in the global PV demand for 2016 will increase up to 50% (YOY) at 14.5GW compared with 9.5 GW in 2015. New grounds have also been broken in the manufacturing of modules. Glass-to-glass (G2G) module continues to grab's market attention as this design technology can do away with aluminum frames and backsheets, thus improving the overall cost structure. In sum, the room for further price reduction in the next year's module market is relatively large.

Taiwan government shows quite positive attitude in development of new PV installed capacity and plans to increase the cumulative target of 13 GW to 20 GW by 2025. EnergyTrend analyzed based on the 728 MW by October 2015 and linear growth model in prediction, the simulation figured out the compound average growth rate (CAGR) shall reach 28% for more than 10 years and the new PV installed capacity of 3 – 4 GW by the last 2-3 years. Of which requires more complementary measures to make the target achieved as the PV installed capacity individually in the past 2 years was about 220MW.

The Degradation in the regulation toward land acquisition and establishment of large-scale ground system is the 1st priority to scale up Taiwan into the GW-level market through installation of large and commercial utility scale power plants which can be centrally planned by the government and open tenders to local enterprises, also provide tax deductible or subsidy to industry zone for installation of roof-type solar power. To achieve the target of 6.5 – 10 GW, the financial backup to support a cost effective LCOE and to provide a favorable price to user within 10 years requires NT$200 billion which does not include the proceeds in the infrastructures, the power distribution systems and the power grid. Furthermore, it requires to speed up reviewing the subsidy policy, increasing the budget and installation of power grid by TaiPower, also to centralize the resources, synchronize the progress.

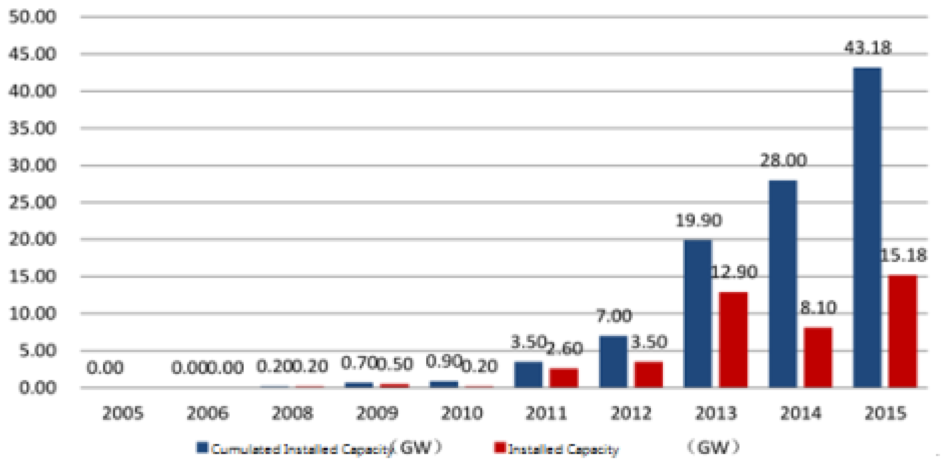


Source: EnergyTrend, 2016/02

Figure 89 Taiwan PV Installed Capacity Forecast, 2016 – 2025

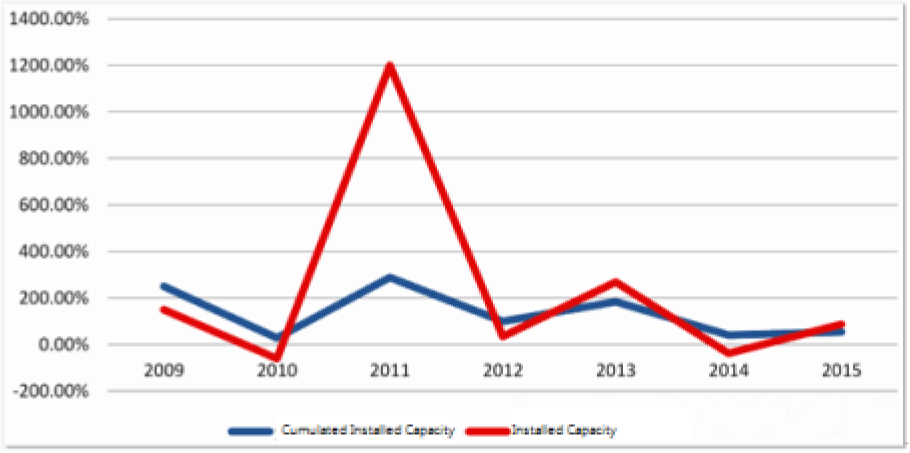
Energytrend also pointed out that PV systems vendors such as SAS Sunrise, Galaxy, AEO, G.D., Ming Mao, Ho Giu with parent's companies' backup have strong strength in business expansion as Taiwan local production capacity of PV module capacity is about 1.8 GW enough to cope with short-term local demand and LCOE has competitiveness

with other renewable also as well as no side effects to the environments.
It's predicted that China local demand will be far behind the target of 20 GW in 2016. It is caused by the subsidy and the brownout. Also, the new expanded production capacity resulted in serious oversupply. Furthermore, the price of solar cell quoted by China and Taiwan vendors in March 2016 had decline exceeding US$0.01/W which was beyond market expectation of US$0.005/W per month. Relatively, the quotations of the upstream silicon wafer manufacturers were declined accordingly. Impacted by the decline in the quoted price of the whole supply chain especially the solar cell module, the manufacturers and vendors will suffer from the loss if there is no other production capacity with better profit margin generated from oversea manufacturing base or change in operation.
China has been accelerating the development in renewable energies, especially in PV. Up to date, China ranks in the 1st place separately in installation and shipment.
According to data released by China's National Bureau of Statistics, power capacity generated by PV and Wind respectively increased up to 74% and 34% compared with that in 2014. In the meanwhile, coal-fired power decreased by 3.7%, also coal importation decreased down to30%.
The power capacity generated by PV and Wind respectively increased up to 74% and 34% compared with that in 2014. According to data released by China National Bureau of Statistics, the Wind installed capacity reached the highest level of 32.5 GW in 2015 and 20.7 GW in 2014, ranked in the 1st place in the 2 years. In addition, the clean energies including hydro power, wind power, PV, nuclear and natural gas power was with 18% of power capacity in 2015 and increased up to 13% compared with that in 2011. China would like apply renewable energies in replacement of the coal-fired power. The consumption of coal decreased by 3.4%, but still accounted for 2/3 of power capacity generated.
According to data released by National Energy Administration, the PV cumulated installed capacity reached 43.18 GW; the installed capacity was 15.18 GW and ranked in 1st place in 2015. The PV power plants and the distributed generation power plants were separately with the installed capacity of 37.12 GW and 6.06 GW; also generated 39.2 billion kW of electricity and accounted for 0.7% of the power capacity generated.



Source: China National Bureau of Statistics, Chi Yuan Consultancy organized 2016/04

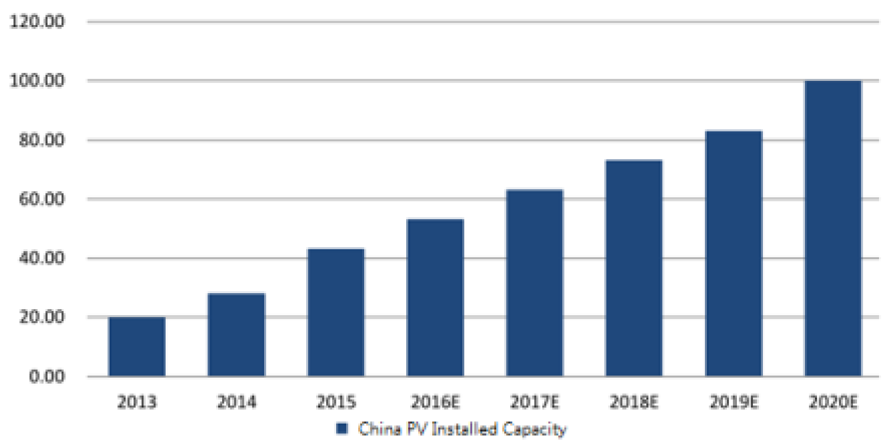
Figure 90 PV New and Cumulated Installed Capacity by Year



Source: China National Bureau of Statistics, Chi Yuan Consultancy organized 2016/04

Figure 91 Growth Rate (YOY) of PV New and Cumulated Installed Capacity by Year

Noted on Five-Year plans announced by National Energy Administration, the PV cumulated installed capacity will exceed 100 GW in 2020. The PV cumulated installed capacity increased up to 43.18 GW by the end of 2015. And the installed capacity shall be scaled up to 10 GW per year within the future 5 years to achieve the above target. In addition, the deduction in the PV module price and the continuous increase in the demand by end uses result in the positive IRR in the operation of the PV power stations. It's predicted that the PV production capacity is up to 70 GW up to date, but the shipments and the PV installed capacity were separately 19.6 GW and 15.18 GW, and accounted for 49.46% of the production capacity.



Source: China National Bureau of Statistics, Chi Yuan Consultancy organized 2016/04

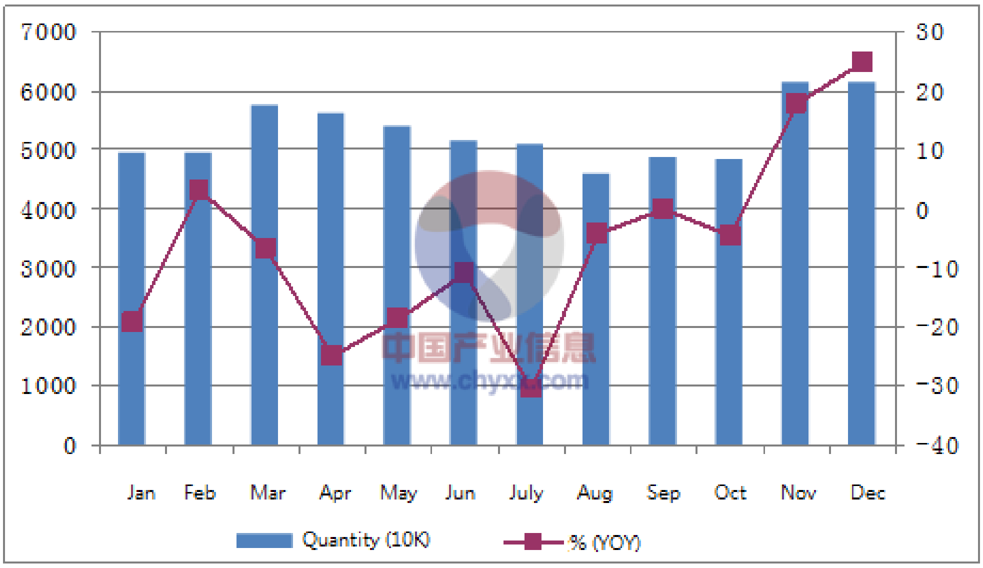
Figure 92 PV Installed Capacity Forecast 2016 -2022

According to the repost "China Solar Cell Module Market Scale and Investment Feasibility" announced by Chi Yuan Consultancy, the shipments in quantity was 632 million pieces and decreased by 8.4%, also in amount was US$12.892979 billion and increased by 4.7% (YOY) in 2015. The shipments of Solar Cell Module are shown as below.

Table 30 China Solar Cell Module Shipments 2015 by Month

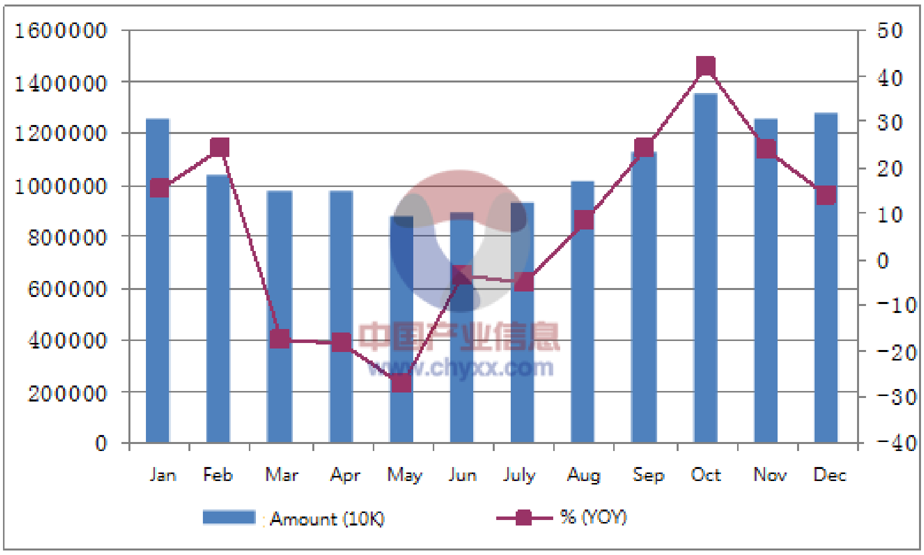
Month	Quantity(10 thousand)	Amount (US thousand)	Quantity (YOY)	Amount (YOY)
January	4,936	1,252,593	-19.2	15.3
February	4,948	1,032,636	3	24.2
March	5,724	970,329	-6.9	-17.5
April	5605	972340	-24.9	-18.5
May	5,390	876,762	-18.8	-27.2
June	5,134	892,820	-11	-3.7
July	5,083	927,972	-30.7	-5.1
August	4,596	1,008,387	-4.2	8.4
September	4,861	1,124,335	0	24.2
October	4,817	1,352,577	-4.8	42
November	6,129	1,250,334	17.9	23.6
December	6,114	1,277,150	24.7	13.8

Source: China National Bureau of Statistics, Chi Yuan Consultancy organized 2016/04



Source: China National Bureau of Statistics, Chi Yuan Consultancy organized 2016/04

Figure 93　China Solar Cell Module Shipments by Quantity and by Month, 2015



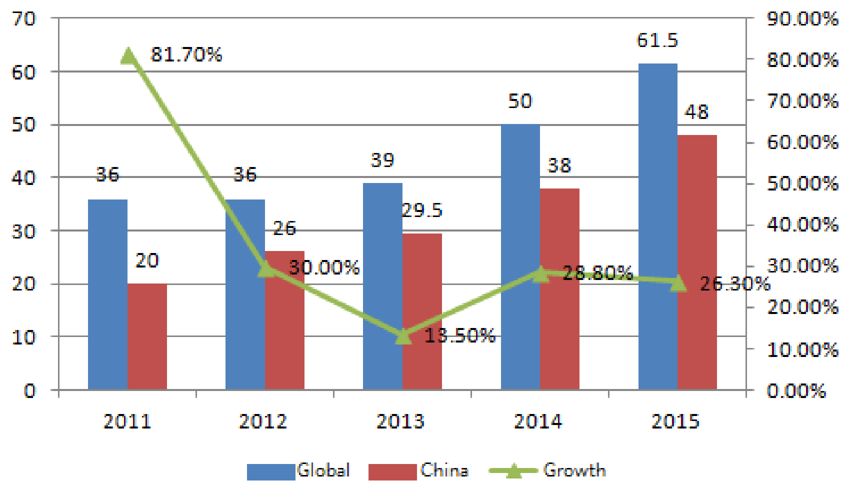
Source: China National Bureau of Statistics, Chi Yuan Consultancy organized 2016/04

Figure 94 China Solar Cell Module Shipments by Amount and by Month, 2015

In addition to the research report "2015 - 2020 China PV Industry Market Analysis and Development Prospects" announced by China Industrial Information Network, the analysis related in 2015 and 2016 is as follows:

A. Status of PV Midstream and Upstream Industry

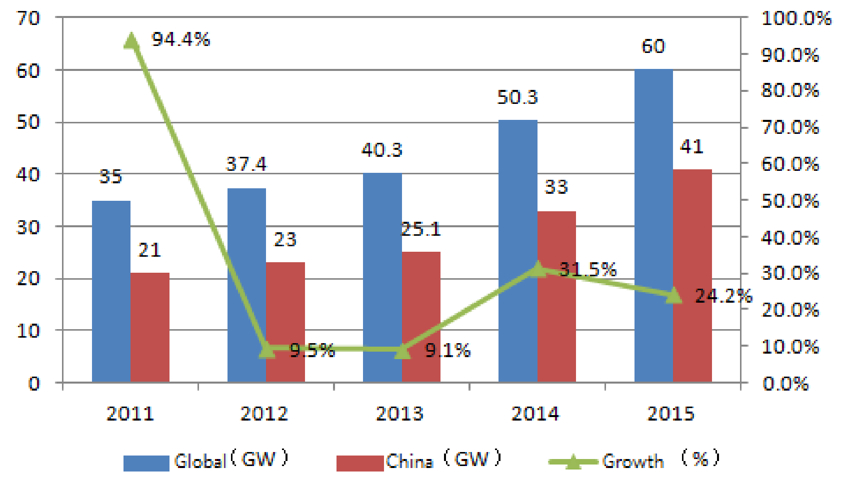
China polysilicon productions were about 165,000 tons and increased by 21% (YOY) in 2015. The prospects development in market scale is positive, and the manufacturing cost had competitiveness in the world which caused some vendors loss in operation for years. The PV industry and its supply chain are centralized, and the silicon production capacity is about 10 billion pieces. The increase in the demand of Mono Si cell is happened in northwestern China. The average utilization rate of the production capacity is 94% by the 37 manufacturers and 7.7% by the 26 manufacturers.



Source: China PV Industry Association, China Industry Network organized 2016/02

Figure 95 PV Silicon Development Prospects, 2011 – 2015

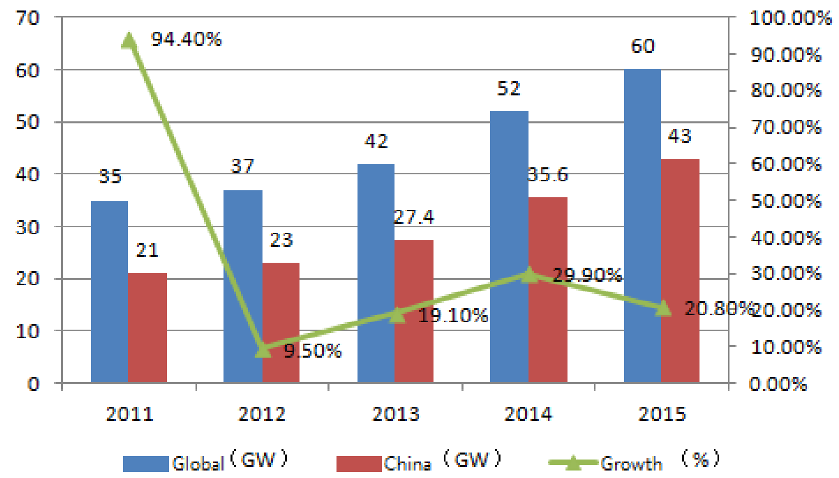
China solar cell module production was more than 41GW and polisilicon was the most popular. The efficiency of the industrialization separately in mono-si cell and polysilicon was 19.5% and 18.3% which presented the improvement on the technology of solar cell or the acceleration in expansion capacity. The average utilization rate of the production capacity was 85% by the 50 manufacturers and 5% by the 13 manufacturers. The deduction in the mono-si cell caused the deduction in the cost Perc-type cell, also resulted in the quoted price of mono-si cell similar to that of polisilicon.



Source: China PV Industry Association, China Industry Network organized 2016/02

Figure 96 China Solar Cell Module Development Prospects, 2011 – 2015

Annual production of PV module was more than 43 GW and increased up to 20.8%. The differentiation in the utilization of the production capacity was quite clear, of which showed the silicon cell is not in the trend. The profitability the manufacturers generated from operation was significantly improved; even the top 10 manufacturers had the 2-digit's profit margins.



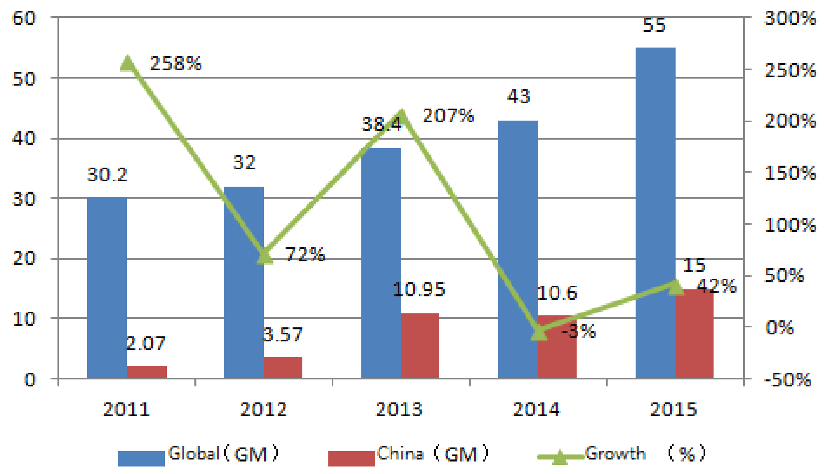
Source: China PV Industry Association, China Industry Network organized 2016/02

Figure 97 China PV Module Development Prospects, 2011 – 2015

Impacted by the trade disputes with the US and the EU In 2012, the shipments declined separately in quantity and in amount. Impacted again by the investigation in the antidumping duty and the countervailing duty by the US, the price restriction committed to the EU, and the trade disputes with Australia, India and Canada in 2013, the shipments declined continuously which caused the manufacturers serious loss in operation. But benefited by the economy recovery of the US , the EU, Japan and some other Asian countries in 2014, the shipments in the PV Cell increased which helped the manufacturers profitability in operation. The shipments were expected to reach US$14.5 billion.

B. Status of PV Downstream Industry

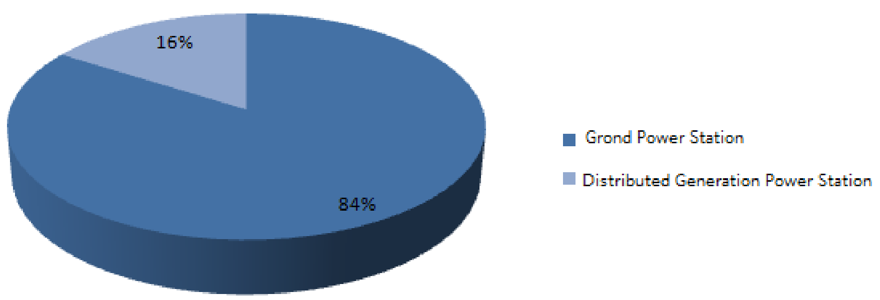
The PV installed capacity was 15 GW and exceeded the 10million KW for the 3rd year in 2015.



Source: China PV Industry Association, China Industry Network organized 2016/02

Figure 98 Global PV Installed Capacity, 2011 - 2015

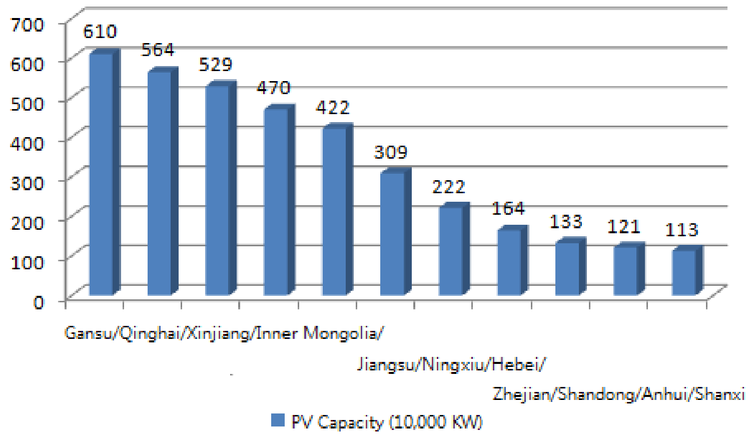
The installation of the utility scaled ground power stations was the core, but the percentage of the distributed generation power stations increased. The ground and the distributed generation power stations separately accounted for 84% and 16%.



Source: China PV Industry Association, China Industry Network organized 2016/02

Figure 99 China PV Install Capacity Distribution

There were 11 provinces which had PV cumulated installed capacity in excess of 1 million KW in 2015. The utility scaled ground power stations were mainly constructed and installed in western China and the distributed generation power stations were installed mainly in eastern China. The distributed generation power stations in the provinces of Jiangsu, Zhejiang, Shandong and Anhui exceeded 1 million KW. The 6 provinces including Xinjiang and Hebe had continuous increase in installation and the PV installed capacity in 2015 exceeded 1 million KW.



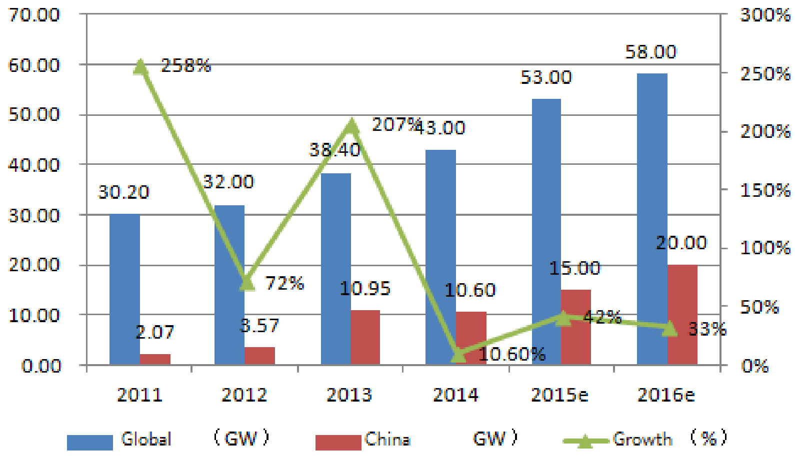
Source: China PV Industry Association, China Industry Network organized 2016/02

Figure 100 Cumulated PV Installed Capacity Exceeding 1 Million KW, 2015

35 KW and voltage under 35 KW into the PV power systems increased up to 13.63 million KW by the end of 2015; 10 KW and under 10 KW into the PV power systems increased up to 4.73 million KW. Eastern China accounted for 64% and 3.017 million KW of the distributed generation power stations installed in 2015. There were power of 4 billion volts not into PV power systems and 10% of the power generated in 2015. Under national power grid, the scale not into PV power systems increased up to 4.65 billion and 12.62% especially in the 4 provinces of Gansu, Qinghai, Xinjiang and Ningxia located in northwestern china.

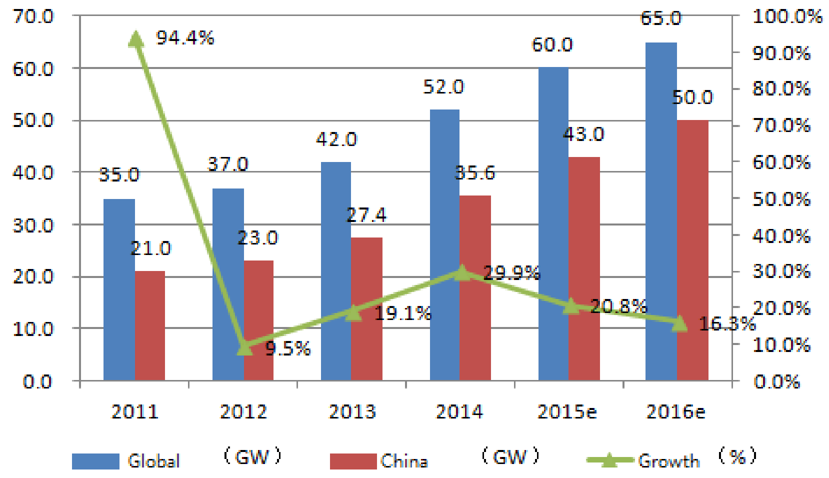
C. 2016 China PV Industry Prospects

It is predicted that the global PV market will continue to grow and the PV installed capacity will reach 64 – 68 GW in 2016 according to “New Energy Finance Forecast” by Bloomberg.



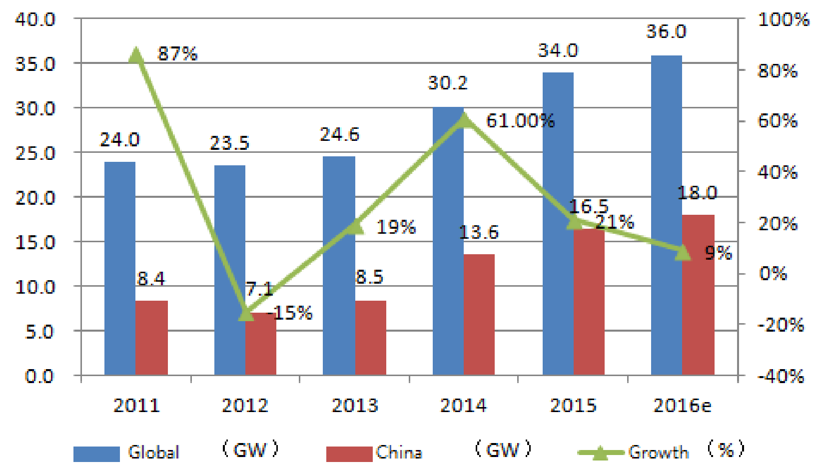
Source: China PV Industry Association, China Industry Network organized 2016/02

Figure 101 China PV Installed Capacity Forecast, 2016



Source: China PV Industry Association, China Industry Network organized 2016/02

Figure 102 China PV Module Capacity Forecast, 2016



Source: China PV Industry Association, China Industry Network organized 2016/02

Figure 103 China Polycilicon Capacity Forecast, 2016

Also according to "China Solar Cell Market Research and Development Strategy Report 2016 - 2022" released by China Industrial Information Network, the prospects of PV industry in 2016 and beyond are summarized as follows:

- Integration of the supply Chain is the trend in PV industry, and work distribution by specialization is an advantage.
- The enterprises with integrated supply chain, outstanding technology and high utilization rate will have the strength in the competition.
- The local manufacturers like Suntech, Trinasolar and Yingli Solar implemented the strategy of the supply chain integration to reach the effects of the quality production and productivity, also competitive manufacturing cost and profitability.
- In addition to the above and the continuous increase in the demand, the engagement in silicon, mono-si module or mono-si cell will be an advantage.

- The quality enterprises in the PV industry gradually extend to their business fields to the PV system integration.

Engaged in the downstream business field through investment in the PV power stations and selling the solar cell module, and formed the nitrated supply chain from silicon to power station has been the trend in the PV industry. The local enterprises like Suntech, Linyang and Yingli Solar gradually cooperated with the manufacturers of integrated systems in the investment in PV power stations.

- Scale will help accelerate the integration in PV industry.

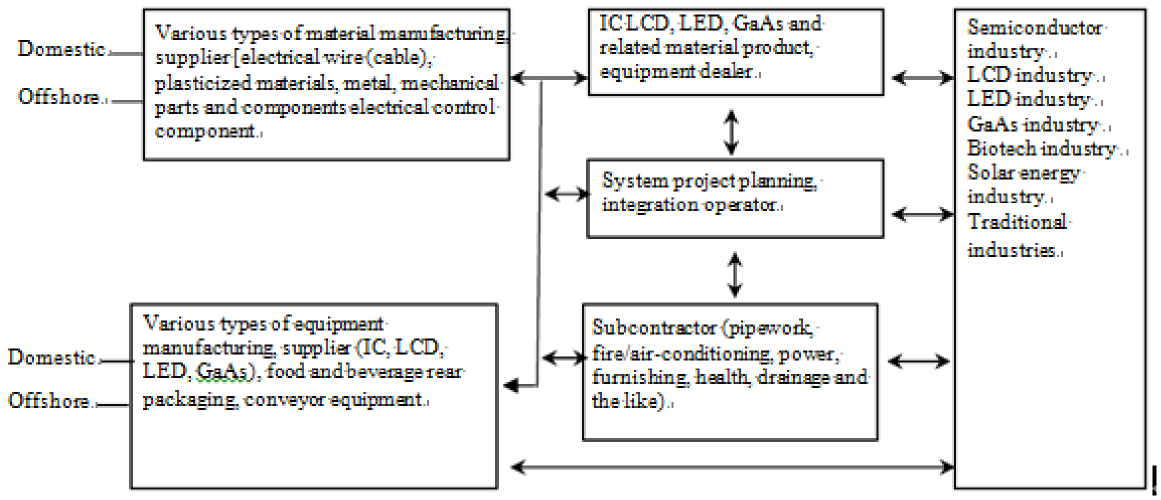
- Currently, the feature regards the integration just showed up. Large-scaled production is essential to reduce the product unit cost, also becomes a key factor in increasing competitiveness. Thus, most of the local leading companies expanded their production capacity through the capital investment. Some leading international companies started the merger and acquisition for business and production expansion.

Renewable energies have significant growth for years in China. The PV industry has stronger force than others. China ranks in the 1st place not only in production but also in demand. Limited to the excess capacity, the insufficient hardware support and subsidies which made supply can't meet demand, also caused conventional power not into PV power stations. Excess capacity will be the problem for the PV industry.

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.
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

With Chinese, Japanese and South Korean producers turning to expanding the medium and small size productivity in the most recent two years, causing the medium and small panel market in a supply over the demand scenario by Q1 2015, and as the price competition becoming ever fiercely in a bid to digest the productivity and grasp the Mainland China's smart handset producers' orders offering a good margin, i.e. JDI has compressed the pricing of the 5 inch HD grade resolution, low temperature prism silica (LTPS) intelligent handset panels to under US$20, the price of Samsung's HD grade AMOLED smart handset panel has been compressed to around US$20, thus before any improvement is seen on such competitive scenario, Digitimes Research forecasts that the profitability of a majority of medium and small panel producers will see a significant slide in Q1 2015.

WitsView indicates that as Chinese-led producers are intending to prop up the production scale of the 32" panels this year, which has although mitigated the concerns of a strong demand, but inadvertently leaves more room for pricing negotiation. More so, the 55" is another size that warrants concerns, and with three brand-new 8.5-generation production lines soon joining in production in Q2, the anticipated market supply volume is expected to climb.

(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 and Japanese Tazmo Corp.'s PR coater and developer. Moreover, it is able to provide comprehensive testing services on the domains of BGA, flip-chips and wafer bumping.

(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)

It aims to offer the clients with a comprehensive solution proposal throughout the manufacturing production process, including the production management, equipment monitoring, process improvement, energy consumption with refined services, which assist the customer with increased throughput, increase the yield, reduce the material and 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

When faced with petrochemical plants, general brick-and-mortar industry domain, the group has also utilized its own capability in exploring and developing the area, as it anticipates to not only catering to the high-tech sector but also gaining a foothold in the traditional industry and public infrastructure projects.

(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

(2.3) Special gas monitoring system

(2.4) Factory automated operation

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

B. Computer-integrated manufacturing (CIM)

C. Automated product representation operation

(2.5) Information communication, enterprise information and software services

(3)Total Facility Engineering Turnkey Project

(4)R&D and manufacturing of Customized equipment

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.

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	2014		2015		2016 up to March 31	
	Personnel	Ratio (%)	Personnel	Ratio (%)	Personnel	Ratio (%)
Doctoral	1	2.13	5	10.42	5	10.42
Master	35	74.47	30	62.5	31	64.58
B.A.	9	19.15	10	20.83	9	18.75
College	2	4.25	3	6.25	3	6.25
Total	47	100.00	48	100.00	48	100.00
Average seniority	3.59		3.5		3.81	

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

Item / Year	2015	2016 up to March 31
Research and development expenses (A)	173,494	40,397
Operating income (B)	18,031,624	4,242,246
Ratio (A)/(B) (%)	0.96	0.95

Note: The figures are disclosed based on the 2015 CPA-audited consolidated financial statements and the 2016 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	TFT-LCD

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

	production line	
	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

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	2014		2015	
	Amount	Ratio (%)	Amount	Ratio (%)
Taiwan	8,275,446	55.30	9,338,747	51.79
Mainland China	4,399,673	29.40	5,600,175	31.06
Other	2,290,280	15.30	3,092,702	17.15
Total	14,965,399	100.00	18,031,624	100.00

Note: The above figures are disclosed based on the the 2014 and 2015 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.
Jordan Valley 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

For petrochemical factories and general traditional factories, the Group also develops the capability to participate in traditional industries and public works in addition to high technology industries.

(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

Gartner, an international investigation and consultant institute, concludes that the semiconductor capital expense of 2014 is about 12.9%, and the growth in 2015 will slow down subject to conservative investment strategy. The growth of global semiconductor capital expense is predicted to be only 0.8% in 2015, i.e., 65.7 billion USD while the expense for semiconductor equipments is predicted to increase 5.6%.

IC Insights, a market investigation institute, points out a predicted 7% of growth for global IC market in 2015. However, there are 10 kinds of products will have grows superior to the total market, five among which, including special purpose logic for vehicle, DRAM (dynamic random access memory), special application analog chips for vehicle, wireless communication special application analog chips and mobile phone application processor etc., will have a growth rate up to two digits. Since IoT (Internet of Things) devices have become a new blue sea market for semiconductor industry, IoT related semiconductor output will be up to about 5.6 billion USD in 2015, i.e., 19% of annual growth rate, the scale will increase to up to 11.5 billion USD in 2018, and the composite annual growth rate (CAGR) from 2013 to 2018 will be about 24.3%, according to prediction of IC Insights.

For panel industry, Photonics Industry & Technology Development Association (PIDA) predicts an about 86.6 billion USD of annual global display panel module output in 2015, i.e., an annual growth rate of about 5%. It also estimates an about 4% of CAGR of global display panel module industry from 2012 to 2016 as a slow trend. PIDA regards that there are "Five Major Trends" ongoing: introduction of new technologies and new materials into panels, popularity of integrated touch control technology, popularity of high definition display panel, explosion of smart mobile or wearable display devices, and new migration of panel industry.

The increased LED lighting products and further reduced cost, in addition to more advantageous in profit of industrial lighting products, industrial lighting market will become an important field LED packaging and lighting vendors will seize in 2015 to 2016. LEDinside predicts that the scale of global LED industrial lighting market will reach 2.366 billion USD in 2015 and 3.935 billion USD in 2018. Moreover, DIGITIMES Research predicts that the output of global high illumination LEDs in 2015 will have a 7.5% of annual increase rate, i.e., up to 13.7 billion USD, and the total number of LED dies to be used will reach 186 billion dies, i.e., an annual increase rate of 32.6%. Wherein, lighting has the highest annual usage increase rate up to 65%.

(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

In addition to maintain orders from existing customers, the Group develops new customers and new orders actively, too. With robust basis constructed in these years, the Company will occupy a position in gas automatic supply system definitely under such a tough competition situation.

(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

According to current condition, most customers will still dictate the original vendors providing equipments to stay for running services. However, under the pressure of cost down, outsource running service is an inevitable trend. If there is a professional company that can be admitted by all customers and "suppliers", then the amount of professional running service business should be increased with market demand.

(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)

After financial tsunami, current semiconductor industry, solar energy industry and LED industry all present recovery and large expansion conditions. Particularly, in response to strong competition with respect to factory expansion of Korea and China, high technology industries of Taiwan are facing important issues with respect to introduction of advanced process technology and increase of throughput and yield, in addition to output competition. Under double pressures of Japanese nuclear factory disaster and increased gasoline price, energy saving and carbon reduction issues are definitely future investment, to which vendors will pay attention.

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.

(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.

For livelihood, food and mechanical manufacturing, automation equipment business of drink and instant noodles has been expanded in China. Customers comprise large famous companies in China.

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 26 years, the Company has introduced foreign technologies and developed integration in depth as the only one choice in our nation now. Moreover, the companies with such capabilities in Europe and America are very rare. Furthermore, under "localization" requirement in our nation, the development of the Company is far superior to other European and American companies.

(1.4)In order to reduce production cost and excessively large equipment (e.g., process equipment beyond 8.5G TFT-LCD) factors, the opportunity that foreign vendors search for OEM cooperation has increased. Currently, the customized equipment manufacturing business of the Group has been developed for many years, and cooperation projects with multiple original vendors are ongoing. The development with respect to capability of such technology facilitates to R&D of future equipments of high technology industry and accelerates improvement of both manufacturing quality and quantity for introducing foreign process equipments into Taiwan.

(1.5)The Company has been approved with ISO 9001 international quality certification and ISO 14001, OHSAS 18001 certifications to provide customers better service quality.

(2) Disadvantageous Factors and Countermeasure

(2.1)The growth of high technology industry grows excessively fast and graduate talents are insufficient. Moreover, excellent professional talents of the Group are susceptible to be poached by other companies and customers.

Countermeasure:

Provide internal trainings for talents actively in order to improve comprehensively product design and technical abilities, and realize professional experiences and R&D results with effective accumulation, together with offering bonus, share allotment and stock option certification programs for employees in order for employees to be more stable and in order to hire good talents.

(2.2)After participation in WTO (World Trade Organization), foreign operation sites have entered our nation such that market competition is more and more intense. Therefore, partial products may suffer from reduction of price and product gross margin due to competition with companies in the same industry and mature market.

Countermeasure:

In addition of deep development of original niche market with inherent advantages with respect to domestic laws, language and culture, the Group creates products, services and technologies with "integration" and with "differentiation" compared to competitors actively. Also, with standardization of work flow, MIS system cost control budget is enhanced to save labor, increase efficiency for cost down and reduce labor waste. Moreover, domestic business is promoted, together with sales promotion in Singapore, Malaysia, Vietnam, Myanmar, Japan, Korea and China markets in response to challenge of market opening.

(2.3)There are very engineering variables for automatic system and integrated system business, which are susceptible to mutual interaction of various engineering. Therefore, if the engineering work period is relatively long, increase of expenses of materials, equipments and outsourcing fees will result in increased cost, which causes business risk and financial maneuver risk.

Countermeasure:

The Group has to evaluate the factors that undertaken cases might influence work periods, and list them into predicted engineering cost, keep good cooperation relationship with suppliers, and develop long term good outsourcing vendors. During construction period, procurement and outsourcing prices have to be handled immediately, the possibility of price fluctuation has to be predicted, and discussion meetings for countermeasure in response to price fluctuation have to be held regularly or irregularly and collaborative procurement with relative enterprises should be done to reduce variation risk of procurement and outsourcing prices effectively. Also, short term engineering business should play the major role, and company has to adopt steady financial policy with sufficient operation revolving fund to pay revolving fund necessary for engineering operation. Thereby, not only belief of proprietors to credits and trust of the company may be increased, but also capital cost may be reduced.

2.2 Important purposes and production processes of major products

2.2.1. Important purposes of major products

(1) Sale and service of hi-tech equipment materials

Manufacturer	Product	Function
Japan Lasertec Corporation	LCD Color Filter Repair System	Inspection and repair of color filters
	Laser Scanning Conofocal Microscope	Application is more extensive, covering various businesses; mainly used by R&D for measuring 3D critical dimension and surface curve.
Japan Hitachi-Kokusai	Vertical Furnace	Equipment for diffusion; the vertical design can reduce the area of clean room and is suitable for advanced 12" wafer production technology.
	MMT Plasma Nitridation System	Equipment for film growth; suitable for nm-grade IC manufacturing process, and has unique plasma source for growing films without plasma decomposition.
	Batch-type BCD Process System	Equipment for film growth; suitable for growing high-k, oxide and helide films; a necessary equipment for nm-grade IC manufacturing process.
Japan Taisei Corporation	Vibration Suppression Platform	Combined with relevant semiconductor equipment; can effectively reduce impact of earthquake on the machine and protect wafer product.
Japan KSS	Four-point Probe Tester	The probe I-V principle is applied for measuring resistance of metal film.
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.
Israel Jordan Valley	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.
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 K.C. Tech	5^{th} Generation LCD Wet Station	Wet etching and cleaning system for 5^{th} Generation TFT LCD.
Korea IPS	Dry Etcher	Applied in G7, G8 LCD markets and AM-OLED/LTPS market.
Korea ANP	ITO Targets, ITO Ingots, Silver Adhesive	Suitable for color polarizer ITO coating, LED ITO coating and solar chip conductive silver adhesive.
Korea SDC	Glass Scriber	Suitable for cutting glass of LCD chip fragment
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
USA ITW Rippey	Central brush for cleaning semiconductor chip after CMP	After CMP, remove residues from semiconductor chip without harming the original surface flatness of the chip through physical and chemical (Zeta potential) effects of central brush.
USA AMES advanced material	Silver powder for conductive paste	Manufacture conductive silver paste by usingthe high conductivity of silver powder; may be applied for solar energy, touch panel and other applications that require high temperature sintering process.
Germany DMS	FOUP/Reticle Pod Cleaner	Reduce VOC and particle of FOUP/POD to optimization by using high pressure hot stream, rapid air heating system and vacuum system.
	Wafer/ Reticle Stocker	Semiconductor fully automized wafer or reticle stocker can rapidly access and maximize storage.
Japan MGC	Wafer Cleaning/Etching Liquid	Used for wafer cleaning and etching.
Korea KAEL	Chemical filter	Chemical filter mainly used for semiconductor exposure unit and track.
Korea Aurors	Wafer overlay tool	Check alignment accuracy of overlay lithography before/after semiconductor process.
USA Corning Tropel	Wafer Flatness ,Thickness Analysis System	Measure wafer full surface flatness by using tangential incidence interference fringe; Attributes include high accuracy and rapid measurement; can support measurements of 2" to 12" wafers.
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.
Taiwan Formosa	Cathode Material	Suitable for LFP batteries of 3C, E-CAR, E-Bike and E-Moto.
USA Cabot	Microelectronic Material	Suitable for use in CMP process of semiconductor manufacture.

(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)	Suitable for: IC, LCD, LED, solar cell and other hi-tech industries. Scope: Provide clients with refined services during production process, including production management, equipment monitoring, process improvement and energy consumption, to offer clients a full solution for enhancing throughput, increasing yield and reducing energy consumption.
Agency for Automated Products	Suitable for: Various industries. Scope: Energy conservation and carbon reduction control, Dry Pump control,gas control system, remote control for coal mine safe production, intelligent solar energy control system, building automation control system, equipment health pre-diagnosis and management system for hi-tech industries, control system ODM service.
Business Support System (BSS)	Suitable for: Suppliers for telecommunications service, content service and Internet service. Scope: Plan, design, introduce and maintain relevant systems, including: ① Customer Relationship Management System for managing product catalogues, marketing events, consumers' basic information, service contracts, and complaint application and handling. ② Charging and Billing System for managing consumers' account information, contractual tariff, service fee calculation, bill production, and charge off/write off. 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

Category	Application
	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.

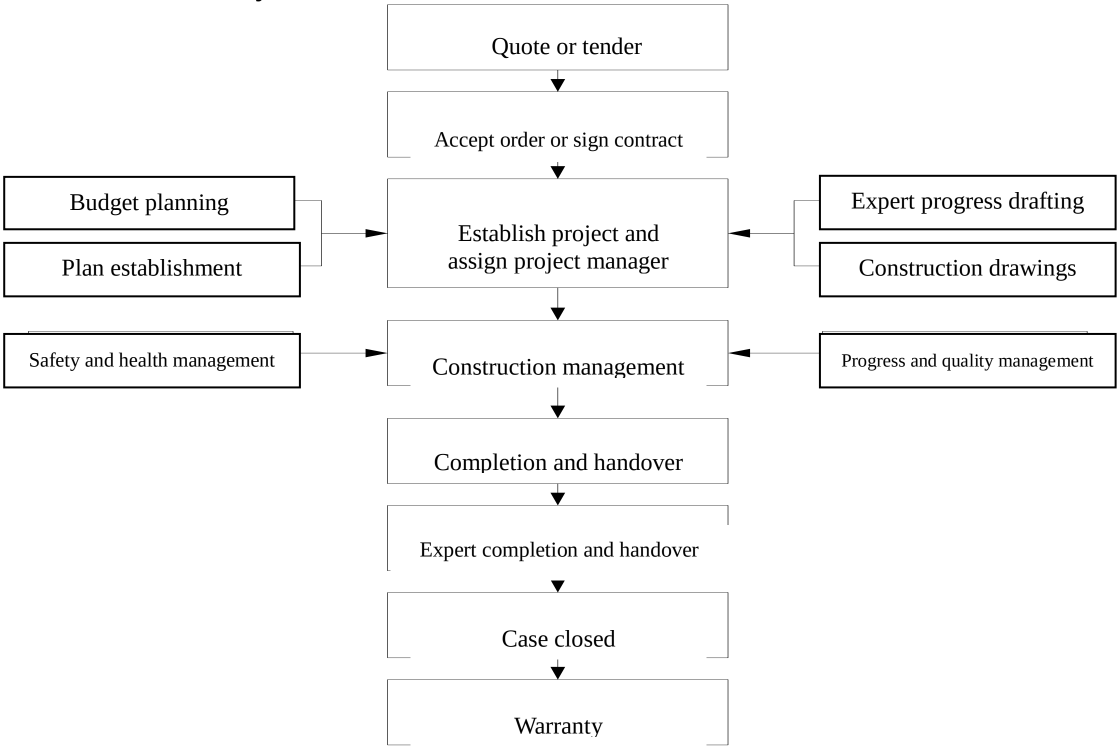
(4) R &D and manufacturing of customized equipment

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

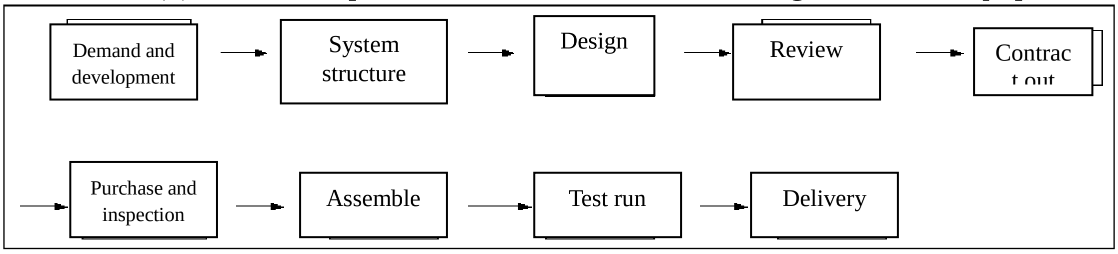
2.2.2. Production process of major product

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; %

	2014				2015			
Item	Name	Amount	Net ratio of annual sales (%)	Relationship with issuer	Name	Amount	Net ratio of annual sales (%)	Relationship with issuer
1	Customer A	2,980,983	19.92	Non-related	Customer A	3,344,098	18.55	Non-related
	Other	11,984,416	80.08		Other	14,687,526	81.45	
	Net sales	14,965,399	100.00		Net sales	18,031,624	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: The above information is revealed in the CPA certified consolidated financial reports for 2014 and 2015.

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	2014			2015		
	Capacity	Yield	Output value	Capacity	Yield	Output value
Sales and service of high-tech equipment and materials	Note	Note	3,494,559	Note	Note	3,899,566
Automation supply system			2,596,118			3,733,214
Total Facility Engineering Turnkey Project			4,385,986			4,889,794
R&Dand manufacturing of customized equipment			2,729,671			3,494,448
Total			13,206,334			16,017,022

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 2014 and 2015.

Variation analysis:

We benefited from the growing demand for IoT, mobile application services, internet economy and Biomedicine in 2015, where customers from semiconductor, GaAs and biotech pharmacy industries have increased their orders. The consolidated income of 2015 is therefore increased comparing with 2014 and the output value also increased accordingly.

2.6 Sales volume for the recent two years

Unit: thousand NTD

Major merchandise (dept.) / Sales volume / Year	2014			2015		
	Region			Region		
	Taiwan	China	Other	Taiwan	China	Other
Sales and service for hi-tech equipment and materials	2.219.416	1,991,921	51,968	2,260,222	2,326,375	176,096
Automation supply system	2,279,994	466,092	101,817	3,429,209	645,722	116,529
Total Facility Engineering Turnkey Project	3,123,964	1,370,208	96,315	2,941,385	2,003,774	99,959
R&D and manufacturing of customized equipment	652,072	571,452	2,040,180	707,931	624,304	2,700,118
Total	8,275,446	4,399,673	2,290,280	9,338,747	5,600,175	3,092,702

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 2014 and 2015.

Variation analysis:

For the recent two years, our major sales service regions are Taiwan and China. Regarding variation of the sales volume over the last two years, benefited the growing demand for IoT, mobile application services, internet economy and Biomedicine in 2015, which resulted in an increase of orders from customers of semiconductor, GaAs and biotech pharmacy industries, the sales volume of every region has increased in 2015 comparing with 2014. In overall, the variation of MIC Group's consolidated income in terms of business and regions is caused by the changes of customer demand and market supply as well as the project natural and partnership built over the years. However, there is no abnormality so far.

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		2014	2015	As of March 31, 2016
Number of employees	Direct worker	722	779	819
	Indirect worker	799	771	755
	Total	1,521	1,550	1,574
Average age		35.22	35.48	36.19
Average years of service		6.68	6.94	7.09
Education distribution ratio (%)	Doctor	0.26	0.65	0.83
	Master	10.85	11.48	11.37
	University	41.95	40.26	39.77
	Junior college	29.85	29.74	29.86
	Other	17.09	17.87	18.17

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	Top Engineering Co., Ltd. , Korea	From 2006.02.28; effective for one year; automatically extended for one year if no termination notification is proposed by either party sixty days in advance	Distribution rights to ODF machine	For use in Taiwan (AUO, CMO, Innolux), China (Innocom)
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	Distribution rights to dry etching equipment	For use in Taiwan (CMO, Toppoly, CPT&Hannstar), China (SVA, Tianma,

Nature	Contracting party	Commencement date and termination date	Mainn contents	Restriction terms
		notification is proposed by either party sixty days in advance		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 agreement	Shinhan Diamond Industrial Co., Ltd. , Korea	From 2014.11.19 to 2015.11.18; effectiveforone year	Distribution rights to diamond tools	For use in China
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	Jordan Valley, Israel	From 2006.06.12; automatically extendedupon expiration if there are no objections	Sales, installation and service of inspection equipment	For use in Taiwan, China

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 31,2016 Financial Information (Note2)
		2011	2012	2013	2014	2015	
Current assets			7,121,815	8,007,542	9,793,274	9,930,954	10,451,546
Property, Plant and Equipment (note 2)			1,406,916	1,519,952	1,461,476	1,419,554	1,397,965
Intangible assets			15,156	38,251	32,781	23,045	20,094
Other assets(note 2)			475,612	520,692	488,029	552,673	550,545
Total assets			9,019,499	10,086,437	11,775,560	11,926,226	12,420,150
Current liabilities	Before distribution		4,845,661	5,795,555	7,231,258	7,300,177	7,657,636
	After distribution	Not applicable	5,010,239	5,977,117	7,561,398	(Note 6) 7,630,317	(Note 6) 7,657,636
Non-current liabilities			178,650	168,040	164,750	161,251	160,522
Total liabilities	Before distribution		5,024,311	5,963,595	7,396,008	7,461,428	7,818,158
	After distribution	Not applicable	5,188,889	6,145,157	7,726,148	(Note 6) 7,791,568	(Note 6) 7,818,158
Equity attributable to shareholders of the parent			3,984,176	4,119,298	4,375,458	4,459,596	4,598,563
Capital stock			1,645,778	1,650,568	1,650,698	1,650,698	1,650,698
Capital surplus		Not applicable	613,177	616,276	616,354	618,773	620,749
Retained earnings	Before distribution		1,761,007	1,840,239	2,050,443	2,164,227	2,305,375
	After distribution		1,596,429	1,658,677	1,720,303	(Note 6) 1,834,087	(Note 6) 2,305,375
Other equity interest			(35,786)	12,215	57,963	25,898	21,741
Treasury stock			0	0	0	0	0
Non-controlling interest			11,012	3,544	4,094	5,202	3,429
Total equity	Before distribution		3,995,188	4,122,842	4,379,552	4,464,798	4,601,992
	After distribution		3,830,610	3,941,280	4,049,412	(Note 6) 4,134,658	(Note 6) 4,601,992

- 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 2016 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 2015 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 31,2016 Financial Information (Note2)
		2011	2012	2013	2014	2015	
Operating revenue			10,536,388	14,042,274	14,965,399	18,031,624	4,242,246
Gross profit			1,293,857	1,543,553	1,759,065	2,014,602	528,166
Operating Income			(7,931)	252,330	504,299	574,436	192,548
Non-operating Income/expense			156,061	27,889	(36,114)	11,953	(17,158)
Earnings before tax			148,130	280,219	468,185	586,389	175,390
Net income from continuing operations		Not applicable	114,484	218,815	384,519	459,985	139,353
Loss from discontinued operations(Note3)			0	0	0	0	0
Net income (loss)			114,484	218,815	384,519	459,985	139,353
Other comprehensive income (net after tax)		Not applicable	(180,706)	69,767	53,560	(47,018)	(4,135)
Current comprehensive income/loss			(66,222)	288,582	438,079	412,967	135,218
Net earnings attributable to owners of the parent			125,622	222,615	384,545	458,724	141,148
Net earnings attributable to non-controlling interest		Not applicable	(11,138)	(3,800)	(26)	1,261	(1,795)
Comprehensive income/loss attributable to owners of the parent			(54,434)	292,058	437,984	411,859	136,991
Comprehensive income/loss attributable to non-controlling interest			(11,788)	(3,476)	95	1,108	(1,773)
Earnings per share (in dollars)	Basic earnings per share－current(Note5)		0.76	1.35	2.33	2.78	0.86
	Diluted earnings per share－current(Note5)		0.75	1.34	2.30	2.73	0.84
	Adjusted Diluted Earnings per Share(Note6)		0.75	1.34	2.30	2.73	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 2016 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)				
		2011	2012	2013	2014	2015
Current assets			4,459,359	4,548,885	6,068,094	6,113,781
Property, Plant and Equipment (note 2)			1,093,825	1,213,528	1,168,848	1,126,399
Intangible assets			10,594	11,097	14,469	12,265
Other assets(note 2)			1,754,474	1,817,484	1,946,783	2,089,477
Total assets		Not applicable	7,318,252	7,590,994	9,198,194	9,341,922
Current liabilities	Before distribution		3,156,296	3,304,341	4,658,617	4,720,326
	After distribution		3,320,874	3,485,903	4,988,757	(Note 6) 5,050,466
Non-current liabilities		Not applicable	177,780	167,355	164,119	162,001
Non-current liabilities	Before distribution		3,334,076	3,471,696	4,822,736	4,882,325
	After distribution		3,498,654	3,653,258	5,152,876	(Note 6) 5,212,465
Capital stock		Not applicable	1,645,778	1,650,568	1,650,698	1,650,698
Capital surplus			613,177	616,276	616,354	618,773
Retained earnings	Before distribution		1,761,007	1,840,239	2,050,443	2,164,227
	After distribution		1,596,429	1,658,677	1,720,303	(Note 6) 1,834,087
Other equity interest			(35,786)	12,215	57,963	25,898
Total equity	Before distribution		3,984,176	4,119,298	4,375,458	4,459,596
	After distribution		3,819,598	3,937,736	4,045,318	(Note 6) 4,129,456

- 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.
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Notes:

1. The year of financial statement that has not been certified by an accountant shall be stated. The Company's financial statements mentioned above have all been checked and verified by an accountant.
2. Company that has conducted asset-revaluation shall state the date of holding the asset revaluation and the revaluated added amount. This Company hasn't held asset-revaluation in the above-mentioned years.
3. Listed company or company that has its stock listed and traded on the stock exchange shall have the information stated up to the season of the printing of the annual report. Besides, it is also a must to note whether the financial information has or has not been certified and reviewed by accountant. Above 2016 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 2015 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)				
		2010	2012	2013	2014	2015
Operating revenue			7,056,873	9,518,958	10,432,963	12,482,462
Gross profit			838,948	1,109,391	1,288,867	1,485,761
Operating Income			6,333	324,160	520,967	616,331
Non-operatingIncome/expense		Not applicable	150,281	(43,368)	(56,129)	(42,814)
Earnings before tax			156,614	280,792	464,838	573,517
Net income from continuing operations			125,622	222,615	384,545	458,724
Loss from discontinued operations(Note3)		Not applicable	0	0	0	0
Net income (loss)			125,622	222,615	384,545	458,724
Other comprehensive income (net after tax)			(180,056)	69,443	53,439	(46,865)
Current comprehensive income/loss		Not applicable	(54,434)	292,058	437,984	411,859
Earnings per share (in dollars)	Basic earnings per share－current(Note5)		0.76	1.35	2.33	2.78
	Diluted earnings per share－current(Note5)		0.75	1.34	2.30	2.73
	Adjusted Diluted Earnings per Share(Note6)		0.75	1.34	2.30	2.73

- 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.
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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 2015 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				
		2011	2012	2013	2014	2015
Current assets		8,211,940	7,263,470			
Property, Plant and Equipment		251,338	368,651			
Intangible assets		1,462,907	1,406,916			
Intangible assets and Other assets		44,821	45,789			
Total assets		9,971,006	9,084,826			
Current liabilities	Before distribution	5,635,491	4,955,827			
	After distribution	5,799,399	5,120,405	Not applicable	Not applicable	Not applicable
Long-term liabilities		107,622	6,235			
Other liabilities		59,111	53,080			
Total liabilities	Before distribution	5,802,224	5,015,142	Not applicable	Not applicable	Not applicable
	After distribution	5,966,132	5,179,720			
Capital stock		1,639,078	1,645,778			
Capital surplus		611,410	615,790	Not applicable	Not applicable	Not applicable
Retained earnings	Before distribution	1,643,510	1,739,008			
	After distribution	1,479,602	1,574,430			
Unrealized gain or loss on financialinstruments		131,160	5,008			
Cumulative translation adjustments		92,239	52,868			
Net loss unrecognized as pension cost		0	0			
Treasury stock		0	0			
Minority Interests		51,385	11,232			
Total equity	Before distribution	4,168,782	4,069,684			
	After distribution	4,004,874	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 2016 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				
		2011	2012	2013	2014	2015
Operating revenue		14,132,188	11,644,490			
Gross profit		1,362,717	1,461,959			
Income from operations		139,650	158,316			
Non-operating income		323,322	226,111			
Non-operating expenses		36,094	73,600	Not applicable	Not applicable	Not applicable
Income before tax		426,878	310,827			
Income from operations of continuedsegments - after tax		372,636	249,269			
Income from discontinued operations (Note:3)		0	0	Not applicable	Not applicable	Not applicable
Extraordinary gain or loss (Note:3)		0	0			
Cumulative effect of accounting principle changes (Note:3)		0	0			
Net income		372,636	249,269	Not applicable	Not applicable	Not applicable
Net income (loss) attributable to shareholders of parent		384,088	259,406			
Net income (loss) attributable to non controlling interests		(11,452)	(10,137)			
Earning per Share (NT$)	Basic Earning per Share-Current (Note: 5)	2.35	1.58			
	Diluted Earning perShare-Current (Note: 5)	2.35	1.56			
	Retrospectivelyadjusted Earnings per share (Note: 6)	2.35	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 2016 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）				
		2011	2012	2013	2014	2015
Current assets		5,337,219	4,543,201			
Funds &Long-term investments		1,509,274	1,638,482			
Fixed assets (Note: 2)		1,071,879	1,093,825			
Intangible assets and Other assets		22,696	20,544			
Total assets		7,941,068	7,296,052	Not applicable	Not applicable	Not applicable
Current liabilities	Before distribution	3,655,567	3,179,155			
	After distribution	3,819,475	3,343,733			
Long-term liabilities		100,000	0			
Other liabilities		68,104	58,445	Not applicable	Not applicable	Not applicable
Total liabilities	Before distribution	3,823,671	3,237,600			
	After distribution	3,987,579	3,402,178			
Capital stock		1,639,078	1,645,778			
Capital surplus		611,410	615,790	Not applicable	Not applicable	Not applicable
Retainedearnings	Before distribution	1,643,510	1,739,008			
	After distribution	1,479,602	1,574,430			
Unrealized gain or loss on financial instruments		131,160	5,008			
Cumulative translation Adjustments		92,239	52,868			
Net loss unrecognizedas pension cost		0	0			
Tresury stock		0	0			
Total equity	Before distribution	4,117,397	4,058,452			
	After distribution	3,953,489	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 2016 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)				
		2011	2012	2013	2014	2015
Operating revenue		10,802,376	8,153,149			
Gross profit		1,067,956	989,864			
Income from operations		224,242	156,494	Not Applicable	Not Applicable	Not Applicable
Non-operating income		338,516	212,290			
Non-operating expenses		125,480	50,474			
Income before tax		437,278	318,310	Not Applicable	Not Applicable	Not applicable
Income from operations of continuedsegments - after tax		384,088	259,406			
Income from discontinued operations (Note:3)		0	0			
Extraordinary gain or loss (Note:3)		0	0	Not Applicable	Not Applicable	Not Applicable
Cumulative effect of accounting principles changes (Note:3)		0	0			
Net income		384,088	259,406			
Earning per Share (NT$)	Basic Earning per Share-Current (Note: 5)	2.35	1.58			
	Diluted Earning perShare-Current (Note: 5)	2.32	1.56			
	Retrospectively Adjusted Earning Per share (Note: 6)	2.32	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 2016 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
2011	PricewaterhouseCoopers Taiwan	Lin, Chun-Yao & Han C. Wu	Unqualified
2012	PricewaterhouseCoopers Taiwan	Lin, Chun-Yao & Shu-rong Wong	Unqualified
2013	PricewaterhouseCoopers Taiwan	Lin, Chun-Yao & Shu-rong Wong	Unqualified
2014	PricewaterhouseCoopers Taiwan	Lin, Chun-Yao & Shu-rong Wong	Unqualified
2015	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, 2016 (Note 2)
		2011	2012	20133	2014	2015	
Capital structure analysis (%)	Debts Ratio		55.70	59.12	62.81	62.56	62.95
	Long Term Funds to Fixed Assets		296.67	282.30	310.94	325.88	340.67
Liquidity analysis (%)	Current Ratio		146.97	138.17	135.43	136.04	136.49
	Quick Ratio		108.94	99.99	101.87	99.78	102.71
	Interest Guarantee (times)		7.88	12.58	16.47	16.15	17.24
Operating performance analysis	Average Collection Turnover (times)		3.14	4.72	4.60	5.14	4.59
	Average Collection Days		116	77	79	71	79
	Average Inventory Turnover (times)		3.36	3.44	3.10	3.43	3.16
	Average Payables Turnover (times)		2.87	4.33	3.67	4.13	4.39
	Average Inventory Turnover Days		109	106	118	106	115
	Fixed Asset Turnover (times)		7.34	9.60	10.04	12.52	12.05
	Total Asset Turnover (times)		1.10	1.47	1.37	1.52	1.39
Return on investment analysis	Return on Total Asset (%)		1.39	2.50	3.75	4.15	4.87
	Return on Total Equity (%)		2.78	5.39	9.04	10.40	12.30
	Pre-tax Profit to Capital Stocks (%)(Note 8)		(0.48)	15.29	28.36	35.52	42.50
	Net Income to Sales(%)		1.09	1.56	2.57	2.55	3.28
	Earnings per Share(NT) (Note 3)		0.76	1.35	2.33	2.78	0.86
Cash flow analysis	Cash Flow Ratio(%)		5.68	(3.97)	7.85	(2.70)	(9.06)
	Cash Flow Adequacy Ratio (%) (Note 6)		128.25	84.48	56.44	14.85	(11.08)
	Cash Flow Reinvestment Ratio (%)		2.07	(7.16)	6.71	(8.89)	(11.38)
Leverage	Operating Leverage		(108.25)	4.36	2.62	2.65	2.13
	Financial Leverage		0.27	1.11	1.06	1.07	1.06

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

1. Operating Performance Analysis:

Increase in Fixed Asset Turnover: Primarily due to the increase of 2015 operating income. This is the reason that the fixed asset turnover has increased in 2015 comparing with 2014.

2.Earning-Generating Analysis：

Increase in Pre-Tax Profit to Capital Stocks: Primarily due to the growing demand in IoT, mobile devices and medical and healthcare relevant products in 2015 as customers from semiconductor, GaAs and biotech pharmacy industries have increased their orders. As the result, the Company's operating income, profit and net profit have increased in 2015 and resulted in an increase in the pre-tax profit to capital stock in 2015 comparing with 2014.

2.1.1. Consolidated Capital Structure Analysis－IFRS (Consolidated Financial Report) (Continued)

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

3.Cash Flow Analysis：

(1)Decrease in Cash Flow Ratio: Primarily due to the outflow of net cash of operating activities in 2015 plus an increase of current liabilities. This is the reason that the cash flow in 2015 has decreased comparing with 2014.

(2)Decrease in Cash Adequacy Ratio: Primarily due to the outflow of net cash of operating activities over the last five years plus the increase of capital expenditure and cash dividend. This is the reason that the cash adequacy ratio in 2015 has decreased comparing with 2014.

(3)Decrease in Cash Flow Reinvestment Ratio: Primarily due to the outflow of net cash of operating activities and cash dividend in 2015. This is the reason that the cash flow reinvestment ratio in 2015 has decreased comparing with 2014.

4. Leverage Analysis：

(1) Decrease in leverage：Increase in the 2014 operating income allows a decrease in leverage.

＊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)

Year / Items（Note4）		Financial Analysis over the last Five Years（Note1）				
		2011	2012	2013	2014	2015
Financial structure (%)	Debts ratio		45.56	45.73	52.43	52.26
	Ratio of long-term capital to property, plant and equipment		380.50	353.24	388.38	410.30
Solvency (%)	Current ratio		141.28	137.66	130.26	129.52
	Quick ratio		103.16	96.58	98.92	93.04
	Interest earned ratio (times)		198.00	126.92	158.04	71.28
Operating performance	Accounts receivable turnover (times)		3.23	5.23	5.08	5.52
	Average collection period		113	70	72	66
	Inventory turnover (times)		2.99	2.88	2.95	3.35
	Accounts payable turnover (times)		2.83	4.19	3.43	3.85
	Average days in sales		122	127	124	109
	Property, plant and equipment turnover (times)		6.52	8.25	8.76	10.88
	Total assets turnover (times)		0.92	1.28	1.24	1.35
Profitability	Return on total assets (%)		1.64	3.01	4.61	5.02
	Return on shareholders' equity (%)		3.07	5.49	9.05	10.38
	Pre-tax income to paid-in capital (%) (Note 8)		9.52	17.01	28.16	34.74
	Profit ratio (%)		1.78	2.34	3.69	3.67
	Earnings per share (in NT dollars) (Note 3)		0.76	1.35	2.33	2.78
Cash flow	Cash flow ratio (%)		15.55	4.80	13.55	4.82
	Cash flow adequacy ratio (%)(Note 6)		115.43	117.52	100.50	50.51
	Cash reinvestment ratio (%)		6.70	(0.12)	8.44	(1.88)
Leverage	Operating leverage		90.56	2.63	2.02	1.99
	Financial leverage		1.14	1.01	1.01	1.01

Note on variation in capital ratio in the previous two years (Not applicable if the variation is < 20%)
1.Solvency：
Decrease in Interest Earned Ratio (times): Primarily due to the increase of financial cost and its growth that is higher than the profitability. The is the reason that the interest earned ratio has decreased in 2015 comparing with 2014.
2.Operating Performance Analysis:
Increase in Property, Plant and Equipment Turnover: Primarily due to the increase of operating income in 2015. This is the reason that the property, plant and equipment turnover has increased in 2015 comparing with 2014.
3. Earning-Generating Analysis：
Increase in Pre-Tax Profit to Capital Stocks: Primarily due to the growing demand in IoT, mobile devices and medical and healthcare relevant products in 2015 as customers from semiconductor, GaAs and biotech pharmacy industries have increased their orders. As the result, the Company's operating income, profit and net profit have increased in 2015 and resulted in an increase in the pre-tax profit to capital stock in 2015 comparing with 2014.

Elaborate each financial ratio variation reason in the last two years. (No analysis needed if variation within 20%) 4.Cash Flows： (1)Decrease in Cash Flow Ratio: Primarily due to the outflow of net cash of operating activities in 2015 plus an increase of current liabilities. This is the reason that the cash flow in 2015 has decreased comparing with 2014. (2)Decrease in Cash Adequacy Ratio: Primarily due to the outflow of net cash of operating activities over the last five years plus the increase of capital expenditure and cash dividend. This is the reason that the cash adequacy ratio in 2015 has decreased comparing with 2014. (3)Decrease in Cash Flow Reinvestment Ratio: Primarily due to the outflow of net cash of operating activities and cash dividend in 2015. This is the reason that the cash flow reinvestment ratio in 2015 has decreased comparing with 2014.

＊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）				
			2011	2012	2013	2014	2015
Financial structure (%)	Debts ratio		58.19	55.20			
	Ratio of long-term capital to property, plant and equipment		292.32	289.71			
Solvency (%)	Current ratio		145.72	146.56			
	Quick ratio		91.38	91.18			
	Interest earned ratio (times)		29.69	15.43			
Operation capacity	Account receivable turnover (time)		3.77	3.25	NotApplicable	NotApplicable	NotApplicable
	Average collection period		97	112.39			
	Inventory turnover (times)		3.42	3.43			
	Accounts payable turnover (times)		2.63	2.54			
	Average days in sales		107	106			
	Property, plant and equipment turnover (times)		9.66	8.28			
	Total assets turnover (times)		1.42	1.28			
Profitability	Return on total assets (%)		3.87	2.80			
	Return on stockholders' equity (%)		9.04	6.05			
	Ratio to issued capital (%)	Operating income	8.52	9.62			
		Pre-tax income	26.04	18.89			
	Profit ratio (%)		2.64	2.14			
	Earnings per share (NT$) (Note 3)		2.35	1.58			
Cash flows	Cash flow ratio (%)		0.43	5.33			
	Cash flow adequacy ratio (%)(Note 6)		135.44	108.69			
	Cash reinvestment ratio (%)		(2.54)	1.90			
Balance	Operating leverage		7.46	7.04			
	Financial leverage		1.12	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）				
			2011	2012	2013	2014	2015
Financial structure (%)	Debts ratio		48.15	44.37			
	Ratio of long-term capital to property, plant and equipment		393.46	371.03			
Solvency (%)	Current ratio		146.00	142.91			
	Quick ratio		88.02	85.98			
	Interest earned ratio (times)		144.94	401.39			
Operating performance	Accounts receivable turnover (times)		4.18	3.52	Not Applicable	Not Applicable	Not Applicable
	Average collection period		87	104			
	Inventory turnover (times)		3.55	3.15			
	Accounts payable turnover (times)		2.78	2.39			
	Average days in sales		103	116			
	Property, plant and equipment turnover (times)		10.08	7.45			
	Total assets turnover (time)		1.36	1.12			
Profitability	Return on total assets (%)		4.67	3.41			
	Return on stockholders' equity (%)		9.41	6.35			
	Ratio to issued capital (%)	Operating income	13.68	9.51			
		Pre-tax income	26.68	19.34			
	Profit ratio (%)		3.56	3.18			
	Earnings per share (NT$) (Note 3)		2.35	1.58			
Cash flow	Cash flows ratio (%)		1.10	15.44			
	Cash flow adequacy ratio (%)(Note 6)		132.74	119.31			
	Cash reinvestment ratio (%)		(2.42)	6.66			
Leverage	Operating leverage		3.47	4.63			
	Financial leverage		1.01	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.Supervisors' or Audit Committee's Report in the most recent fiscal year

Marketech International Corp.(MIC)

Supervisors'audit report

2015 operating reports, earnings dispatch proposal, and financial reports audited and certified by certified public accountant Lin, Jun-Yao and Zheng, Shu-Qiong from PricewaterhouseCoopers (PwC) Taiwan sent by board of directors, also audited by supervisors, we believe there's no inconformity, therefore sumbit for detection accoding to Company Law Article.219.

Regards

Annual Meeting of Shareholders, 2016

Supervisor：Hsiao, Ming-Chih
Supervisor：Lu, Zong-Jenn
Supervisor：Ma, Kao-Peng

February 24,2016

4. **Consolidated Financial Statement in the most recent fiscal year：please refer to this year's report page237 to314**
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 page315 to373**
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 31,2015	As of December 31,.2014	Difference	
			Amount	%
Current assets	9,930,954	9,793,274	137,680	1.41
Property, plant and equipment	1,419,554	1,461,476	(41,922)	(2.87)
Intangible assets	23,045	32,781	(9,736)	(29.70)
Other assets	552,673	488,029	64,644	13.24
Total assets	11,926,226	11,775,560	150,666	1.28
Current liabilities	7,300,177	7,231,258	68,919	0.95
Non-current liabilities	161,251	164,750	(3,499)	(2.12)
Total liabilities	7,461,428	7,396,008	65,420	0.88
Capital stock	1,650,698	1,650,698	-	-
Capital surplus	618,773	616,354	2,419	0.39
Retained earnings	2,164,227	2,050,443	113,784	5.55
Other equity interest	25,898	57,963	(32,065)	(55.32)
Equity attributable to shareholders of the parent	4,459,596	4,375,458	84,138	1.92
Non-controlling interests	5,202	4,094	1,108	27.06
Total equity	4,464,798	4,379,552	85,246	1.95

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

(1) Decrease in Other Equity Interest: Primarily due to the depreciation of yuan (RMB) against dollar (USD) in 2015. This is the reason that exchange differences on translation of foreign financial statements have decreased comparing with 2014.

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 31,2015	As of December 31,.2014	Difference	
			Amount	%
Current assets	6,113,781	6,068,094	45,687	0.75
Property, plant and equipment	1,126,399	1,168,848	(42,449)	(3.63)
Intangible assets	12,265	14,469	(2,204)	(15.23)
Other current assets	2,089,477	1,946,783	142,694	7.33
Total assets	9,341,922	9,198,194	143,728	1.56
Current liabilities	4,720,325	4,658,617	61,708	1.32
Non-current liabilities	162,001	164,119	(2,118)	(1.29)
Total liabilities	4,882,326	4,822,736	59,590	1.24
Capital stock	1,650,698	1,650,698	-	-
Capital surplus	618,773	616,354	2,419	0.39
Retained earnings	2,164,227	2,050,443	113,784	5.55
Other equity interest	25,898	57,963	(32,065)	(55.32)
Total equity	4,459,596	4,375,458	84,138	1.92
Analysis of ratio of change: (if the change is greater than 20% and the amount changed is NT$10,000,000) (1)Decrease in Other Equity: Primarily due to the depreciation of yuan (RMB) against dollar (USD) in 2015. This is the reason that exchange differences on translation of foreign financial statements have decreased comparing with 2014.				

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$)

Description \ Year		2015	2014	Amount increased (decreased)	Proportion change (%)
Net Operating Income		18,031,624	14,965,399	3,066,225	20.49
Operating Cost		16,017,022	13,206,334	2,810,688	21.28
Gross profit		2,014,602	1,759,065	255,537	14.53
Operating expenses		1,440,166	1,254,766	185,400	14.78
Operating income from operations		574,436	504,299	70,137	13.91
Non-operating income and expenses		11,953	(36,114)	48,067	133.10
Income before tax		586,389	468,185	118,204	25.25
Income Tax		126,404	83,666	42,738	51.08
Net Income of Continuing Operations		459,985	384,519	75,466	19.63
Income from discontinued operations		0	0	0	0
Net income		459,985	384,519	75,466	19.63
Other comprehensive income (income after tax)		(47,018)	53,560	(100,578)	(187.79)
Total comprehensive income		412,967	438,079	(25,112)	(5.73)
Net income attributable to shareholders of the parent		458,724	384,545	74,179	19.29
Net income attributable to noncontrolling interests		1,261	(26)	1,287	(4,950)
Total comprehensive income attributable to shareholders of the parent		411,859	437,984	(26,125)	(5.96)
Total comprehensive income attributable to the noncontrolling interests		1,108	95	1,013	1,066.32
EPS(NT$)	Basic EPS for current period	2.78	2.33	0.45	19.31
	Diluted EPS for current period	2.73	2.30	0.43	18.70

(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)

①Increase in Net Operating Income and Operating Cost: Primarily due to the growing demand in IoT, mobile devices and medical and healthcare relevant products in 2015 as customers from semiconductor, GaAs and biotech pharmacy industries have increased their orders. This is the reason that the operating income has increased in 2015 and resulted in an increase of operating cost.

②Increase in the net gain of Non-Operating Income and Expenses: Primarily due to the increase of other incomes, the net loss of other benefits and loss, and the decrease of investment loss accounted for using equity method in 2015. This is the reason that the net amount of non-operating income and expenses is net gain and has increased comparing with 2014.

③Increase in Income before Tax: Primarily due to the increase of operating income and operating benefit plus the increase of net gain of non-operating income and expenses in 2015. This is the reason that the income before tax has increased comparing with 2014.

④ Increase in Income Tax: Primarily due to the increase of profit in 2015.

⑤ Increase in Net Income: Primarily due to the increase of income before tax in 2015 comparing with 2014, which resulted in an increase of income tax. However, comparing with the increased

Description \ Year	2015	2014	Amount increased (decreased)	Proportion change (%)
operating profit in 2015, the net income of 2015 has relatively increased. ⑥ Decrease in Other Comprehensive Income (Income after Tax): Primarily due to the bigger depreciation of yuan (RMB) comparing with Taiwan Dollar (TWD) against dollar (USD) in 2015, which resulted in a net loss of the exchange difference on translation of foreign financial statements is a net loss. This is the reason that the net gain of exchange difference on translation of foreign financial statements has decreased comparing with 2014. (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 2016 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 2015 and orders to be released. Therefore, it does not have big impacts on the Group's finances.

2.2 Individual Financial Performance Analysis (individual financial statement)

2.2.1. The last two Profit and Loss accounts reported significant changes in net profit and pre-tax profit, owing to:

Unit : NT$ thousands ; %
(In addition to earnings per share, NT$)

Description \ Year		2015	2014	Amount increased (decreased)	Proportion change (%)
Net Operating Income		12,482,462	10,432,963	2,049,499	19.64
Operating Cost		10,996,701	9,144,096	1,852,605	20.26
Gross profit		1,485,761	1,288,867	196,894	15.28
Operating expenses		869,430	767,900	101,530	13.22
Operating income from operations		616,331	520,967	95,364	18.31
Non-operating income and expenses		(42,814)	(56,129)	13,315	(23.72)
Income before tax		573,517	464,838	108,679	23.38
Income Tax		114,793	80,293	34,500	42.97
Net Income of Continuing Operations		458,724	384,545	74,179	19.29
Income from discontinued operations		0	0	0	0
Net income		458,724	384,545	74,178	19.29
Other comprehensive income (income after tax)		(46,865)	53,439	(100,304)	(187.69)
Total comprehensive income for the year		411,859	437,984	(26,125)	(5.96)
EPS(NT$)	BasicEPS for current period	2.78	2.33	0.45	19.31
	Diluted EPS for current period	2.73	2.30	0.43	18.70

Description \ Year	2015	2014	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 Increase in Operating Cost: Primarily due to the growing demand in IoT, mobile devices and medical and healthcare relevant products in 2015 as customers from semiconductor, GaAs and biotech pharmacy industries have increased their orders. This is the reason that the operating income has increased in 2015 and resulted in an increase of operating cost. ② Increase in the net gain of Non-Operating Income and Expenses: Primarily due to the increase of other incomes, the net loss of other benefits and loss, and the decrease of investment loss accounted for using equity method in 2015. This is the reason that the net gain of non-operating income and expenses has increased comparing with 2014. ③ Increase in Income before Tax: Primarily due to the increase of net income before tax in 2015 comparing with 2014, which resulted in an increase of income tax. However, comparing with the increased operating profit in 2015, the net income of 2015 has relatively increased. ④ Increase in Income Tax: Primarily due to the increase of profit in 2015. ⑤ Decrease in Other Comprehensive Income (Income after Tax): Primarily due to the bigger depreciation of yuan (RMB) comparing with Taiwan Dollar (TWD) against dollar (USD) in 2015, which resulted in a net loss of the exchange difference on translation of foreign financial statements is a net loss. This is the reason that the net gain of exchange difference on translation of foreign financial statements has decreased comparing with 2014. (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 2016 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 2015 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, 2014)	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, 2015)
1,628,171	(197,418)	(76,261)	101,272	(50,890)	1,404,874
Analyses of changes in cash flows for the year (2015) are as follows: ① A net cash outflow of NT$197,418 thousands from operating activities, where the outflow is primarily due to the growth of business activities. ② A net cash outflow of NT$76,261 thousands from investing activities, where the outflow is primarily due to the increase of investment, real estate, plants and equipments. ③ A net cash inflow of NT$101,272 thousands from financing activities, where inflow is primarily due to short-term loans applied to fulfill the capital demand and for distributing cash dividends. In summary, the annual cash flow for the entire 2015 is net cash outflow, which resulted in a decrease of the cash at period end comparing with that at period beginning					

3.1.2. Liquidity analysis in the latest year

Unit: %

Year / Item	2015	2014	Variance(%)
Cash Flow Ratio	(2.70)	7.85	(134.39)
Cash Flow Adequacy Ratio	14.85	56.44	(73.69)
Cash Reinvestment Ratio	(8.89)	6.71	(232.49)

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

A decrease in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio this year:
(1) Decrease in Cash Flow Ratio: Primarily due to the net cash outflow from operating activities plus the increase of current liabilities in 2015. This is the reason that the cash flow ratio has decreased in 2015 comparing with 2014.
(2) 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 cash dividend. This is the reason that the cash flow adequacy ratio has decreased in 2015 comparing with 2014.
(3) Decrease in Cash Reinvestment Ratio: Primarily due to the net cash outflow from operating activities and increase of cash dividends in 2015. This is the reason that the cash investment ratio has decreased in 2015 comparing with 2014.

3.1.3. Liquidity analysis in the future one year

Unit : NT$ thousands

Cash and cash equivalents at beginning of period (December 31, 2015)①	Net cash flow from operating activities ②	Cash outflow③	Cash surplus (deficit) ①+②-③	Leverage of cash deficit	
				Invesment plans	Financing plans
1,404,874	358,962	(131,567)	1,632,269	Not applicable	

(1) Analyses of expected changes in cash flows for the year (2015) 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, 2014)	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, 2015)
634,883	227,465	(351,390)	159,860	670,818

Analyses of changes in cash flows for the year (2015) are as follows:
① A net cash inflow of NT$227,465 thousands from operating activities, where the inflow is primarily due to the increase of operating profit and the net effect of the net settlement amout of receivables (payables).
② A net cash outflow of NT$351,390 thousands from investing activities, where the outflow is primarily due to the adoption of investments accounted for using equity method.
③ A net cash inflow of 159,860 thousands from financing activities, where the inflow is primarily due to by short-term loans.
In summary, the annual cash flow for the entire 2015 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	2015	2014	Variance (%)
Cash Flow Ratio	4.82	13.55	(64.45)
Cash Flow Adequacy Ratio	54.89	100.50	(45.38)
Cash Reinvestment Ratio	(1.88)	8.44	(122.27)

Analyses of changes in the proportion of increase & decrease: (Explanation for analyses of the proportion of increase & decrease above 20% between two periods)
A decrease in cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio this year:
(1) Decrease in Cash Flow Ratio: Primarily due to the decrease of net cash inflow from operating activities plus increase of current liabilities in 2015. This is the reason that the cash flow ratio has decreased in 2015 comparing with 2014
(2) 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 cash dividend. This is the reason that the cash flow adequacy ratio has decreased in 2015 comparing with 2014.
(3) Decrease in Cash Reinvestment Ratio: Primarily due to the decrease of net cash outflow from operating activities and increase of cash dividends in 2015. This is the reason that the cash investment ratio has decreased in 2015 comparing with 2014.

3.2.3. Liquidity analysis in the future one year

Unit : NT$ thousands

Cash and cash equivalents at beginning of period (December 31, 2014)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
670,819	365,411	(299,742)	736,488	Not applicable	

(1) Analyses of expected changes in cash flows for the year (2015) 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 2015, 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%	18,792	(38,926)	Losses in 2015 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%	1,310,2111	(75,008)	It is the holding company of abroad shift investment business. Investment losses in 2015 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%	43,123	97	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 2015 were mainly because the rental income is sufficient to cope with operation costs.	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.
Tiger United Finance Ltd. (shortened as Tiger)	Directly invested subsidiary of the Company	100%	41,743	(330)	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	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	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
					in 2015 were mainly caused by insufficient rental income.	investment benefits.	development.
MIC-Tech Global Corp. (shortened as MICK)	Directly invested subsidiary of the Company	100%	5,686	(3,041)	In 2015, it was in losses status. The operation status was not as expected and sales income was reduced, so that it was insufficient to cope with operation costs and expenses.	With the increased market demands in Southeast Asia, the companies will continue developing new business to increase benefits.	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%	6,404	129	It is the holding company of abroad shift investment business. Investment gains in 2015 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%	5,686	(3,041)	Business of the company was still under development in 2015, hence losses status is shown.	Established for the increasing demand in Myanmar, MIMC mainly provides design, production and assembly services for equipments and components of automated production machines. In the future, MIMC will proactively expand its business and efficiently hold its advantages in the market. The scale of its production business will gradually expand and have the profit increased, which will bring benefits to the parent company's investment.	Take timely assessment according to the market requirements and industry development.
MIC-Tech Viet Nam Co., Ltd. (shortened as	Directly invested subsidiary of the Company	100%	41,942	1,159	Main benefits in 2015 were caused by actively business expanding and effectively grasping the market tendency,	MIC-Tech VN is mainly engaged in professional engineering contracting and	Take timely assessment according to the

Name of Invested Company	Description	Direct or indirect shareholding ratio of the company	Ending investment book amount (Note 2)	Current Term (Losses) Benefits of Invested Company	Major Caused of Benefits or Losses	Improvement Plan	Investment Plan in the next 1 year
MIC-Tech VN)					so that the business income and profits were all in growth tendency.	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 and benefits will be increase. It will also have effective balances to the parent company's investment benefits.	market requirements and industry development.
HoaPhongMarketech Co., Ltd. (shortened as HoaPhong MIC)	Directly invested subsidiary of the Company	100%	14,879	(4,064)	Business of the company was still under development in 2015, hence losses status is shown.	HoaPhongMIC 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.
eZoom Information, Inc. (shortened as "eZoom")	Directly invested subsidiary of the Company	100%	25,270	(11,610)	Business of the company was still under development in 2015, 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	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
						information and cloud business. It will make a profit instead of suffering a loss and have balances to the parent company's investment benefits.	
Glory Technology Service Inc. (shortened as "Glory)	Invested company of the Company adopting equity method	40%	28,316	7,283	Main benefits in 2015 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.
Xuan Yang Technology Material Co., Limited (shortened as "Xuan Yang)	Invested company of the Company adopting equity method	30%	41,274	(2,421)	Business of the company was still under development in 2015, hence losses status is shown.	Xuan Yang primarily engaged in the production and sales of precursors and relevant parts of advanced production (Atomic Layer Deposition). Profits from the Company's operations in the future will be added into the investment to generate more profits.	
MIC techno Co., Ltd.	Invested company of the Company adopting equity method	20%	1,882	(934)	Main losses causes in 2015 were that the panel industry and business expansion were not as expected, so that the business income and gross profits were decreased and it was in losses status.	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 enter into touch panel area, and seek sales and OEM opportunities of touch panel materials and products. It will improve operation performance.	Take timely assessment according to the market requirements and industry development.
True Victor	Invested company of the	38.75%	289	(93)	It is the holding company of abroad shift	Not applicable.	Take timely

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
International Limited (shortened as True Victor)	Company adopting equity method				investment business. Investment losses in 2015 were mainly caused by losses on disposal of investments		assessment according to the market requirements and industry development.
Marketech International Sdn. Bhd. (shortened as MISB)	Shift invested subsidiary of Subsidiary MIPL	34%	20,770	(3,290)	Business of the company was still under development in 2015, 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%	1,307,969	(74,920)	It is the holding company of abroad shift investment business. Investment losses in 2015 were mainly caused by losses of directly and indirectly invested subsidiary in mainland.	Not applicable.	Take timely assessment according to the market requirements and industry development.
Marketech International Sdn. Bhd. (shortened as MISB)	Shift invested subsidiary of Subsidiary MIPL	66%	41,001	(3,290)	Business of the company was still under development in 2015, hence losses status is shown.	MISB is mainly engaged in automation supply systems business in the semiconductor industry. With the increased market demands in Southeast Asia, he company will expand	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
						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.	
Marketech Integrated Construction Co., Ltd. (shortened as MICC)	Shift invested subsidiary of Subsidiary MEPL	95%	6,502	469	The business development continues to expand in 2015 which resulted in a growth in income and profit that are enough to cover operating cost and expenses.	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%	142,322	(117,094)	In 2014, it showed losses. On the moment of operation transformation and products development, the income was difficult to be increased. Since 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	MTW is mainly engaged in OEM assembly of customized equipments and parts. Cooperating with overall tender growth tendency in mainland, currently, main businesses expanded by the company actively include automation equipments manufacturing in food industry, tire calibration equipments, desalination equipment, and satellite,	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
					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.	network, solar energy and wind power related equipments. It is estimated growth and benefits will be obtained in future.	
MIC-Tech (Shanghai) Corp. Ltd. (shortened as MTS)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	347,175	32,998	The profit of 2015 was primarily generated from the income and profit of selling semiconductor equipments and materials.	SMTS is mainly engaged in semi-conductor production, testing equipment and supplies, power generation boilers wholesales, import and export agent and other trade services. The company will continue developing new agent business to increase benefits.	Take timely assessment according to the market requirements and industry development.
Fuzhou Jiwei System Integrated Co., Ltd. (shortened as FJS)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	(422)	(473)	In 2015, 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	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
						expansion of hi-industry in Taiwan, related factory facility services demand will be increased. It will make a profit instead of suffering a loss.	
MIC-Tech Electroics Engineering Corp.. (shortened as MTE)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	613,214	(7,272)	Business of the company was still under development in 2015. However, the operation was not as good as expected, the income was not enough to cover operating cost and expenses, which resulted in a deficit in operation	MTEi mainly engages in contracting electrical and electronic engineering construction projects, projects of installing chemical and petrol equipments and pipelines, and relevant maintenance service. To increase the profit, the company will continue to expand its businesses including gas engineering, electrical engineering, production base expansion and purification engineering for biopharmaceutical industry in mainlander China, clean room and air-conditioning installation, and factory affairs system engineering for the semiconductor industry. It is expected the Company will have its deficit turned into profits.	Take timely assessment according to the market requirements and industry development.
MIC-Tech China Trading (Shanghai) Co., Ltd.. (shortened as MCT)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	52,279	5,727	The business development continues to expand and was able to master the market trend in 2015 which resulted in a growth in income and profit that are enough to cover operating cost and expenses.	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	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
						and may increase benefits.	
SK MIC (WuXi) Corp. (shortened as SKMIC)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	49%	10,505	9,519	The business development continues to expand in 2015 which resulted in a growth in income and profit that are enough to cover operating cost and expenses.	SKMIC mainly engages in the design, installation and maintenance of equipments designed for semiconducting components and crystals, equipments designed for electronic components, and environmental pollution prevention equipments. It is therefore expected that the growth of semiconductor industry will help to increase the Company's profit.	Take timely assessment according to the market requirements and industry development.
Russky H.K. Limited (shortened as Russky)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	100%	(23,835)	(14,486)	It is the holding company of abroad shift investment business. Investment losses in 2015 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%	(24,482)	(17,766)	The business development continues to expand in 2015. However, the operation was not as good as expected and the income was not enough to cover operating cost and expenses.andtherefore shows a deficit.	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	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
						services demand will be increased. It will increase benefits.	
Chen Gao M&E Engineering (Shanghai) Co., Ltd. (shortened as CMES)	Shift invested subsidiary of Subsidiary Russky	100%	(2,617)	(273)	Business scope of the company includes microelectronics engineering design and display devices engineering, design. In 2015, main losses cases were that the business expansion was not as expected. Currently, the business is still in adjustment stage.	CMES is mainly engaged in project engineering design of electronics products and project engineering design, related technology, management, consulting and other service of display devices. China mainland takes expanding domestic demand as economic development target. Along with production expansion and continuous construction of all industries, associated electrical and mechanical design and project bidding markets still have increasing demands. It will make a profit instead of suffering a loss.	Take timely assessment according to the market requirements and industry development.
TPP-MIC Co., Limited (shortened as TPP-MIC)	Shift invested subsidiary of Subsidiary MIC-Tech Ventures	60%	69	(159)	It is the holding company of abroad shift investment business. Investment losses in 2015 were mainly caused by liquidation losses of the subsidiary in mainland..	Not applicable.	Take timely assessment according to the market requirements and industry development.
Leader Fortune Enterprise Co., Ltd. (shortened as Leader)	Invested company of SubsidiaryMIC-Tech Ventures adopting equity method	31.43%	4,243	(10,526)	It is the holding company of abroad shift investment business. Investment losses in 2015 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	Invested company of	31.43%	4,214	(10,502)	Since the business was still under	JMis main engaged in back	Take timely

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
(Shanghai) Co., Ltd. (shortened as JM)	SubsidiaryLeaderadopting equity method				development, the business income and benefits are not shown.	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.	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	40%	8,758	(2,463)	It is the holding company of abroad shift investment business. Investment losses in 2015 were mainly caused by the deficit of indirectly invested subsidiary in mainland..	Not applicable.	Take timely assessment according to the market requirements and industry development.
Frontken-MIC (WuXi) Co., Ltd. (shortened as Forken-MIC) (Note 4)	Invested company of SubsidiaryFrontken MICadopting equity method	40%	8,658	(2,352)	Business scope of the company is mainly in equipment cleaning. Main causes of losses in 2015 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) (Note 3)	Invested company of SubsidiaryMIC-Tech Ventures adopting equity method	50%	14,635	(11,651)	It is the holding company of abroad shift investment business. Investment losses in 2015 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) (Note 3)	Invested company of SubsidiaryRuixuan adopting equity method	50%	13,816	(11,051)	Main causes of losses in 2015 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	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
						Segment. It will make a profit instead of suffering a loss in future.	

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, 2015.
Note 2: It is the investment boo amount by the end of December 31, 2015.
Note 3: The Group originally held 50% of the shares of MICT International Limited (Shortened as MICT International). The Group has, on March 3 of 2015, purchased the rest 50% of shares. As the Group now has the total right to vote, the Group has added MICT International's subsidiary (Nan Tong Jian Rui Optoelectronic Technology Inc) in consolidated financial statements.
Note 4: The Group originally held 40% of the shares of Frontken MIC Co. Limited (shortened as Frontken MIC). The Group has, on September 30 of 2015, purchased the rest 60% of shares. As the Group now has the total right to vote, the Group has added Frontken MIC's subsidiary (Frontken MIC Co.,Limited) in consolidated financial statements.
Note 5: The Group's subsidiary Marketech Integrated Pte. Ltd.(shortened as MIPL) originally held 100% of the shares of Marketech International Sdn. Bhd.(shortened as MISB). As the Company has subscribed the increased shares of MISB in October of 2015, the Company therefore holds 34% of MISB's shares and MIPL holds only 66% of MISB's shares until December 31 of 2015.
Note 6: True Victor International Limited, which is invested by the Company with equity method, has completed the liquidation process in June of 2015. However, until December 31 of 2015, the invested amount has not yet been returned.
Note 7: TPP-MIC (Wuxi) Co., Ltd. has already completed the liquidation process in November of 2015.

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	46.2%	NT$15,000,000	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, supervisors 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.

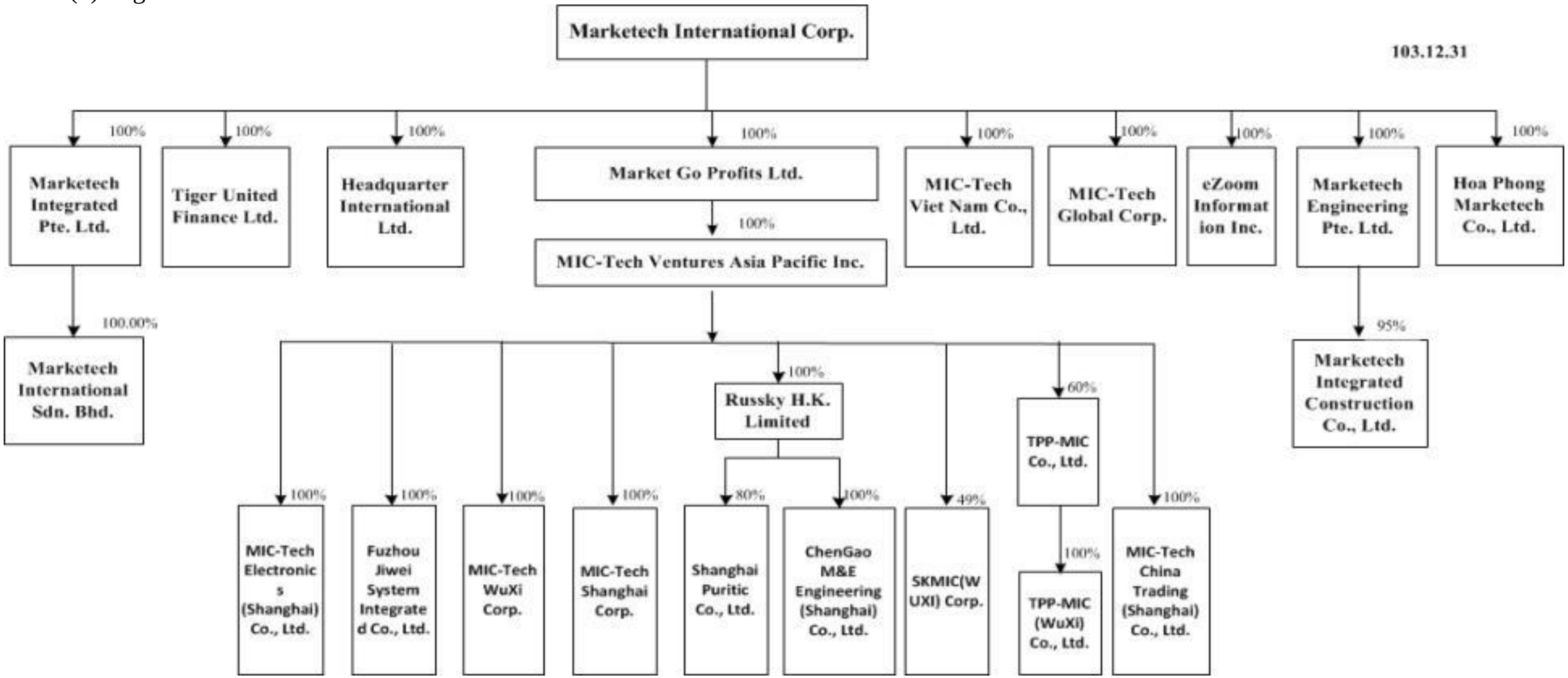
Part 8. Special Disclosures

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	156,357	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	1,220,076	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	42,323	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	46,295	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 546,680,000	15,367	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	42,673	Trading, installation and maintenance of various industrial machinery, equipments and supplies
Hoa Phong 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	32,825	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	1,216,711	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 9,062,750	65,707	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	USD 633,000	20,778	Engaged in holdings and reinvestment
Marketech Engineering Pte. Ltd.	Nov. 28, 2013	86 Kaki Bukit Industrial Terrace Singapore 416166	SGD 379,597	8,826	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	9,848	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 2,000,000	65,650	Design, production and assembly services for equipments and components of automated production machines.
Shanghai Puritic Co., Ltd	Apr. 21, 1998	1F, Building A, No. 1281, Jin Hu Road, Pudong, Shanghai	USD 400,000	13,130	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

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production
			Original currency	NTD (in thousands)	
					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	6,565	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	270,511	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	9,848	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 7,619,000	578,344	Mechanical and electrical installation general contracting and sub-contracting, electronic engineering sub-contracting, petrochemical pipeline installation sub-contracting, pipeline sub-contracting and provide maintenance service at the end of project, related engineering consultation services.
MIC-Tech (WuXi) Co., Ltd.	May 16, 2001	No. 11, Xin Xi Road, Wuxi High-Tech Industrial Development Zone, Jiangsu Province	USD 25,500,000	837,038	Semiconductor, crystal and electronic component equipments, design, manufacturing, installation and maintenance of pollution control equipment, packaging equipment, refrigeration equipment and oven assembly. Wholesale, commission agent, import and export of the above products and parts. Rental and lease of plant.
SKMIC (WuXi) Corp.	Jul 4, 2006	Room 208, 2nd Floor, No. 87-A, Wuxi High-Tech Industrial Development Zone, Jiangsu Province	USD 305,000	10,012	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 trading, trading and trading agent services for enterprises within the region; and trading related consultations.

Company Name	Date of establishment	Address	Paid in capital		Main businesses or production
			Original currency	NTD (in thousands)	
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	49,238	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	Rm 1401, The Centre Mark, 287-299 Queen's Road Central, Hong Kong	USD 300,000	9,848	Engaged in holdings and reinvestment
MICT International Limited	Dec. 14, 2007	11/F., AXA Centre, 151 Gloucester Road, Wanchai, Hong Kong.	USD 3,000,000	98,475	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	98,475	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	Rm 1401, The Centre Mark, 287-299 Queen's Road Central, Hong Kong	USD 2,337,608	76,732	Engaged in holdings and reinvestment
Frontken MIC Co. Limited	Oct. 31, 2008	No. 11, Xinxi Road, Wuxi National High-Technology Industrial Development Zone, Jiansu	USD 2,308,000	75,760	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 ratios
Marketech Integrated Pte. Ltd.	 Chairman Director Director	Corporate representatives Sung KaoHsin-Ming Scott Lin Seetoh Oi Ying	SGD	6,725,040	100%
Market Go Profits Ltd.	Director Director	Corporate representatives Hsin-Ming Kao Scott Lin	USD	37,169,104.2	100%
Headquarter International Ltd.	Director Director	Corporate representatives Hsin-Ming Kao Scott Lin	USD	1,289,367	100%
Tiger United Finance Ltd.	 Director Director	Corporate representatives Hsin-Ming Kao Scott Lin	USD	1,410,367	100%
MIC-Tech Global Corp.	 Director Director Director Supervisor General manager	Corporate representatives Hsin-Ming Kao Scott Lin Zhen-Hao Pu Yi-Jung Li Zhen-Hao Pu	ARW	546,680,000	100%
MIC-Tech Viet Nam Co.,Ltd.	 General manager	Corporate representatives Hsin-Ming Kao	USD	1,300,000	100%
Hoa Phong Marketech Co., Ltd.	 General manager	Corporate representatives Hsin-Ming Kao	USD	1,000,000	100%
Marketech Engineering Pte.Ltd.	 Director Director Director	Corporate representatives Hsin-Ming Kao Scott Lin Seetoh OiYing	SGD	379,597	100%
Marketech Integrated Manufacturing Company Limited	 Director Director	Corporate representatives Hsin-Ming Kao Scott Lin	USD	2,000,000	100%
MIC-Tech Ventures Asia Pacific Inc.	 Director Director	Subsidiary- Market Go Profits Ltd. Corporate representatives Hsin-Ming Kao Scott Lin	USD	37,066,604.2	100%

Company Name	Title (Note 1)	Name or representative	Shareholding (Note 2 and 3) Number of shares or capital contributions	Shareholding ratios
Marketech Integrated Construction Co., Ltd.	 Director Director	Subsidiary- Marketech Enginnering Pte.Ltd. Corporate representatives Hsin-Ming Kao Scott Lin	USD 285,000	95%
Marketech International Sdn.Bhd.	 Director Director Director Director Director	Corporate representatives Hsin-Ming Kao Scott Lin Subsidiary- Marketech Integrated Pte Ltd. Corporate representative Guo-Peng Ma Individual representative Masliana BT Mohd Safi Saiful Zamruo Bin Ismail	MYR 9,062,750	100%
Russky H.K. Limited	 Director Director	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Hsin-Ming Kao Scott Lin	USD 633,000	100%
Frontken MIC Co. Limited	 Director Director	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Hsin-Ming Kao Scott Lin	USD 2,337,608	100%
Shanghai Puritic Co., Ltd	 Chairman Director Director Director supervisorma nager Director Director	Subsidiary- Russky H.K. Limited corporate representatives Hsin-Ming Kao Guo-Peng Ma Scott Lin Yi-Jung Li Hsin-Ming Kao Corporate representatives from other firms Shouhei Fukaya Osamu Watanabe	USD 603,000	80%

Company Name	Title (Note 1)	Name or representative	Shareholding (Note 2 and 3) Number of shares or capital contributions	Shareholding ratios
Chen Gao M&E Engineering (Shanghai) Co., Ltd.	Chairman Director Director Supervisor General manager	Subsidiary- Russky H.K. Limited corporate representatives Yi-Jung Li Guo-Peng Ma Scott Lin De-Qing Li De-Qing Li	USD 200,000	100%
MIC-Tech (Shanghai) Corp. Ltd.	Chairman Director Director General manager	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. corporate representative Hsin-Ming Kao Scott Lin Guo-Peng Ma Hsin-Ming Kao	USD 8,241,000	100%
Fuzhou Jiwei System Integrated Co., Ltd.	Chairman Director Director General manager	Subsidiary- MIC-Tech Ventures Asia Pacific Inc.corporate representatives Hsin-Ming Kao Guo-Peng Ma Scott Lin Hsin-Ming Kao	USD 300,000	100%
MIC-Tech Electyonics Engineering Corp.	Chairman Director Director Supervisor	Subsidiary- MIC-Tech Ventures Asia Pacific Inc corporate representatives Hsin-Ming Kao Guo-Peng Ma Scott Lin Yi-Jung Li	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 Hsin-Ming Kao Guo-Peng Ma Scott Lin Yi-Jung Li Hsin-Ming Kao	USD 25,500,000	100%

Company Name	Title (Note 1)	Name or representative	Shareholding (Note 2 and 3) Number of shares or capital contributions	Shareholding ratios
SKMIC (WuXi) CORP.	Director Director Supervisor Chairman	Subsidiary- MIC-Tech Ventures Asia Pacific Inc. corporate representatives Hsin-Ming Kao Scott Lin Dong-Xuan Song corporate representatives from other firms Ren-Shou Jin	USD 149,450	49%
MIC-Tech China Trading (Shanghai)Co., Ltd	Chairman Director Director Supervisor	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Hsin-Ming Kao Scott Lin Guo-Peng Ma Yi-Jung Li	USD 1,500,000	100%
TPP-MIC Co., Limited	Director Director	Subsidiary- MIC-Tech Ventures Asia Pacific Inc.corporate representatives Hsin-Ming Kao Scott Lin	USD 180,000	60%
MICT International Limited	Director Director	Subsidiary MIC-Tech Ventures Asia Pacific Inc. Corporate representatives Hsin-Ming Kao Scott Lin	USD 3,000,000	100%
Nan Tong Jian Rui Optoelectronic Technology Inc	Chairman Director Director Supervisor President	Subsidiary MICT International Limited Co1`rporate representatives Fu-Jia Hou Hsin-Ming Kao Chien-Yuan Wang, Scott Lin Hsueh-Heng Lu	USD 3,000,000	100%

Company Name	Title (Note 1)	Name or representative	Shareholding (Note 2 and 3) Number of shares or capital contributions	Shareholding ratios
Frontken MIC Co. Limited	 Chairman Director Director Director Director Superviso	Subsidiary Frontken MIC Co. Limited Corporative representative Tay Kiang Meng Hsin-Ming Kao Scott Lin Hee Kok Hiong Ng Wai Pin Lee Boon Tian	USD 2,308,000	100%
eZoom Information, Inc.	 Director Director Director Supervisor	Corporate representatives Hsin-Ming Kao Scott Lin Yan-Shan Chuang Guo-Peng Ma	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.	156,357	116,686	97,894	18,792	83,507	(31,218)	(38,926)	-
Market Go Profits Ltd.	1,220,076	1,310,111	-	1,310,111	-	(60)	(75,008)	-
Headquarter International Ltd.	42,323	43,469	346	43,123	2,833	595	97	-
Tiger United Finance Ltd.	46,295	42,269	526	41,743	2,839	267	(330)	-
MIC-Tech Global Corp.	15,367	25,473	19,160	6,313	51,309	(3,653)	(3,041)	-
MIC-Tech Viet Nam Co., Ltd.	42,673	51,536	9,594	41,942	67,051	1,560	1,159	-
Hoa Phong Marketech Co., Ltd.	32,825	16,770	1,891	14,879	2,323	(4,459)	(4,064)	-
Marketech Engineering Ptd. Ltd.	8,826	6,696	292	6,404	-	(313)	129	-
MIC-Tech Ventures Asia Pacific Inc.	1,216,711	1,356,432	48,463	1,307,969	442,222	38,854	(74,920)	-
Marketech International Sdn.Bhd.	65,707	86,803	26,483	60,320	51,018	(3,800)	(3,290)	-
Marketech Integrated Construction Co., Ltd.	9,848	9,800	2,956	6,844	10,718	(1,591)	469	-
Marketech Integrated Manufacturing Company Limited	65,650	53,107	-	53,07	-	(1,866)	1,265	-
Russky H.K. Limited	76,732	8,758	-	8,758	-	(111)	(2,463)	-
Shanghai Puritic Co., Ltd	13,130	51,837	82,440	(30,603)	56,461	(15,774)	(17,766)	-
ChenGao M&E Engineering (Shanghai) Co., Ltd.	6,565	479	3,096	(2,617)	-	(165)	(273)	-
MIC-Tech (Shanghai) Corp. Ltd.	270,511	1,132,912	785,737	347,175	1,737,005	32,117	32,998	
Fuzhou Jiwei System Integrated Co., Ltd.	9,848	570	992	(422)	14,642	(582)	(473)	-
MIC-Tech Electronics Engineering Corp.	578,344	1,743,869	1,130,655	613,214	2,488,101	35,947	(7,272)	-
MIC-Tech(WuXi) Co., Ltd.	837,038	681,610	534,406	147,204	410,858	(88,560)	(117,094)	-
SKMIC (WuXi) CORP.	10,012	36,296	14,857	21,439	74,283	13,654	9,519	-
MIC-Tech China Trading (Shanghai)Co., Ltd	49,238	123,302	71,023	52,279	113,926	11,148	5,727	-
TPP-MIC Co., Limited	9,848	115	-	115	-	(2)	(159)	-
MICT International Limited	98,475	13,816	-	13,816	-	-	(11,051)	-
Nan Tong Jian Rui Optoelectronic Technology Inc	98,475	35,580	21,764	13,816	5,573	(10,700)	(11,051)	-
Frontken MIC Co. Limited	75,760	8,658	-	8,658	-	(2,691)	(2,352)	-
eZoom Information, Inc.	62,000	42,834	18,549	24,285	79,106	(11,778)	(11,610)	(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, 2015.

1.2 The consolidated financial statements of affiliated companies: In 2014, 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 195 to 280 of this annual report.

1.3 Affiliation report: Not applicable.

2.Private Placement Securities in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report: None.

3.The Shares in the Company Held or Disposal of by subsidiaries in the most recent fiscal year and during the current fiscal year up to the date of printing of the annual report: None.

4.Other Disclosures : None.

Part 9.Any of the situations listed in Article 36, 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 YEAR ENDED DECEMBER 31, 2015 AND 2014

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, 2015, 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 22, 2016

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of
Marketech International Corp.

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marketech International Corp. and subsidiaries as of December 31, 2015 and 2014, and the results of their consolidated financial performance and cash flows for the years then ended in conformity with the "Rules 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.

We have also audited the separate financial statements of Marketech International Corp. as of and for the years ended December 31, 2015 and 2014, and have expressed an unqualified opinion on such financial statements.

PricewaterhouseCoopers, Taiwan

February 22, 2016

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
DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2015 AMOUNT	%	December 31, 2014 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,404,874	12	$ 1,628,171	14
1110	Financial assets at fair value through profit or loss - current	6(2)	5,719	-	11,696	-
1150	Notes receivable, net	6(3)	106,392	1	37,675	-
1170	Accounts receivable, net	6(4)(7)	3,072,747	26	3,092,035	26
1180	Accounts receivable - related parties, net	7	23,341	-	9,449	-
1190	Construction contracts receivable	6(7) and 7	2,485,012	21	2,354,614	20
1200	Other receivables		20,910	-	29,799	-
130X	Inventories, net	6(5)	2,248,268	19	1,852,959	16
1410	Prepayments	6(6)	398,626	3	573,960	5
1470	Other current assets	8	165,065	1	202,916	2
11XX	**Total current assets**		9,930,954	83	9,793,274	83
	Non-current assets					
1543	Financial assets at cost - non-current	6(8)	287,714	2	293,027	3
1550	Investments accounted for using equity method	6(9)	76,004	1	56,209	1
1600	Property, plant and equipment, net	6(10), 7 and 8	1,419,554	12	1,461,476	12
1780	Intangible assets	7	23,045	-	32,781	-
1840	Deferred tax assets	6(23)	108,037	1	101,109	1
1900	Other non-current assets	6(10)	80,918	1	37,684	-
15XX	**Total non-current assets**		1,995,272	17	1,982,286	17
1XXX	**Total Assets**		$ 11,926,226	100	$ 11,775,560	100

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2015 AMOUNT	%	December 31, 2014 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11) and 8	$ 1,370,748	11	$ 953,806	8
2150	Notes payable		806,991	7	807,648	7
2170	Accounts payable		2,740,764	23	3,359,079	29
2180	Accounts payable - related parties	7	20,610	-	23,836	-
2190	Construction contracts payable	6(7)	1,236,940	10	1,018,504	9
2200	Other payables	6(12)	421,292	4	395,090	3
2230	Current tax liabilities		81,271	1	74,251	1
2310	Advance receipts	6(13)	598,114	5	583,379	5
2399	Other current liabilities, others	6(14)	23,447	-	15,665	-
21XX	**Total current liabilities**		7,300,177	61	7,231,258	62
	Non-current liabilities					
2540	Long-term borrowings	6(14) and 8	-	-	2,930	-
2570	Deferred tax liabilities	6(23)	30,644	1	46,703	-
2600	Other non-current liabilities	6(15)	130,607	1	115,117	1
25XX	**Total non-current liabilities**		161,251	2	164,750	1
2XXX	**Total Liabilities**		7,461,428	63	7,396,008	63
	Equity					
	Share capital	6(17)				
3110	Ordinary shares		1,650,698	14	1,650,698	14
	Capital surplus	6(18)				
3200	Capital surplus		618,773	5	616,354	5
	Retained earnings	6(19)				
3310	Legal reserve		529,385	4	490,931	4
3320	Special reserve		92,239	1	92,239	1
3350	Unappropriated retained earnings	6(23)	1,542,603	13	1,467,273	12
	Other equity interest					
3400	Other equity interest		25,898	-	57,963	1
31XX	**Total equity attributable to owners of parent**		4,459,596	37	4,375,458	37
36XX	**Non-controlling interests**		5,202	-	4,094	-
3XXX	**Total Equity**		4,464,798	37	4,379,552	37
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total Liabilities and Equity**		$ 11,926,226	100	$ 11,775,560	100

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2015 AMOUNT	2015 %	2014 AMOUNT	2014 %
4000	**Operating Revenue**	6(20) and 7	$ 18,031,624	100	$ 14,965,399	100
5000	**Operating Costs**	6(5)(22) and 7	(16,017,022)	(89)	(13,206,334)	(88)
5900	**Gross Profit**		2,014,602	11	1,759,065	12
	Operating Expenses	6(22)				
6100	Sales and marketing expenses		(491,181)	(3)	(436,251)	(3)
6200	General and administrative expenses		(775,491)	(4)	(673,029)	(5)
6300	Research and development expenses		(173,494)	(1)	(145,486)	(1)
6000	**Total operating expenses**		(1,440,166)	(8)	(1,254,766)	(9)
6900	**Operating Profit**		574,436	3	504,299	3
	Non-operating Income and Expenses					
7010	Other income	6(26)	57,730	-	31,541	-
7020	Other gains and losses	6(2)(8)(21)	(4,682)	-	(22,617)	-
7050	Finance costs		(38,717)	-	(30,258)	-
7060	Share of gain (loss) of associates and joint ventures accounted for using equity method		(2,378)	-	(14,780)	-
7000	**Total non-operating income and expenses**		11,953	-	(36,114)	-
7900	**Profit before Income Tax**		586,389	3	468,185	3
7950	Income tax expense	6(23)	(126,404)	(1)	(83,666)	-
8200	**Net Income**		$ 459,985	2	$ 384,519	3

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2015 AMOUNT	2015 %	2014 AMOUNT	2014 %
	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(15)	($ 17,831)	-	$ 9,267	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	3,031	-	(1,576)	-
8310	**Total components of other comprehensive (loss) income that will not be reclassified to profit or loss**		(14,800)	-	7,691	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		(38,808)	-	56,156	-
8362	Unrealized loss on valuation of available-for-sale financial assets		-	-	(1,512)	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method		16	-	911	-
8399	Income tax relating to components of other comprehensive income	6(23)	6,574	-	(9,686)	-
8360	**Total components of other comprehensive income that will be reclassified to profit or loss**		(32,218)	-	45,869	-
8300	**Other comprehensive (loss) income, net of tax**		($ 47,018)	-	$ 53,560	-
8500	**Total Comprehensive Income**		$ 412,967	2	$ 438,079	3
	Profit (loss) attributable to:					
8610	Owners of the parent		$ 458,724	2	$ 384,545	3
8620	Non-controlling interests		$ 1,261	-	($ 26)	-
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 411,859	2	$ 437,984	3
8720	Non-controlling interests		$ 1,108	-	$ 95	-
	Basic earnings per share	6(24)				
9750	**Basic earnings per share**		$ 2.78		$ 2.33	
	Diluted earnings per share	6(24)				
9850	**Diluted earnings per share**		$ 2.73		$ 2.30	

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent						
			Capital Reserves		Retained Earnings			Other e
	Notes	Share capital - ordinary shares	Capital surplus - share premium	Capital surplus - others	Legal reserve	Special reserve	Unappropriated retained earnings	Currency translation differences of foreign operations
2014								
Balance at January 1, 2014		$ 1,650,568	$ 615,925	$ 351	$ 468,670	$92,239	$ 1,279,330	$ 10,703
Appropriations and distribution of earnings for 2013	6(19)							
Legal reserve		-	-	-	22,261	-	(22,261)	-
Cash dividends		-	-	-	-	-	(181,562)	-
Changes in equity of associates and joint ventures accounted for using equity method		-	-	-	-	-	(470)	-
Share-based payment	6(16)(17)(18)	130	78	-	-	-	-	-
Profit for 2014		-	-	-	-	-	384,545	-
Other comprehensive income for 2014		-	-	-	-	-	7,691	47,260
Change in non-controlling interests		-	-	-	-	-	-	-
Balance at December 31, 2014		$ 1,650,698	$ 616,003	$ 351	$ 490,931	$92,239	$ 1,467,273	$ 57,963
2015								
Balance at January 1, 2015		$ 1,650,698	$ 616,003	$ 351	$ 490,931	$92,239	$ 1,467,273	$ 57,963
Appropriations and distribution of earnings for 2014	6(19)							
Legal reserve		-	-	-	38,454	-	(38,454)	-
Cash dividends		-	-	-	-	-	(330,140)	-
Share-based payment	6(16)(17)(18)	-	-	2,419	-	-	-	-
Profit for 2015		-	-	-	-	-	458,724	-
Other comprehensive income for 2015		-	-	-	-	-	(14,800)	(32,065
Balance at December 31, 2015		$ 1,650,698	$ 616,003	$ 2,770	$ 529,385	$92,239	$ 1,542,603	$ 25,898

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		$ 586,389	$ 468,185
Adjustments to reconcile profit before tax to net cash (used in) provided by operating activities			
Income and expenses having no effect on cash flows			
Net gain on financial assets at fair value through profit or loss	6(2)(21)	(863)	(3,822)
Provision for bad debt expense	12	82,201	18,089
Share of loss of associates and joint ventures accounted for using equity method		2,378	14,780
Loss on disposal of investments	6(21)	123	4,012
Depreciation	6(10)(22)	105,978	108,487
Amortisation	6(22)	21,084	21,527
Loss on disposal of property, plant and equipment		360	653
Impairment loss on financial assets	6(21)	14,829	23,234
Compensation cost of share-based payments	6(16)(18)	2,419	-
Interest income		(5,006)	(3,145)
Interest expense		38,717	30,258
Dividend income		(9,169)	(7,652)
Gain recognised in bargain purchase	6(26)	(2,419)	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss – current		6,841	4,727
Notes receivable, net		(69,943)	214,010
Accounts receivable, net		(80,644)	(564,024)
Accounts receivable – related parties, net		(14,265)	(8,626)
Construction contracts receivable		(130,398)	(824,619)
Other receivables		6,810	(7,095)
Inventories		(404,299)	29,985
Prepayments		178,075	(222,346)
Other current assets		(30,694)	(28,270)
Net changes in liabilities relating to operating activities			
Notes payable		(657)	229,330
Accounts payable		(602,962)	896,054
Accounts payable – related parties		(3,226)	12,858
Construction contracts payable		218,436	230,072
Other payables		26,200	(18,782)
Advance receipts		8,831	54,584
Other current liabilities, others		9,370	(6,958)
Other non-current liabilities		(2,358)	(1,526)
Cash (outflow) inflow generated from operations		(47,862)	663,980
Interest received		5,079	2,980
Dividends received		12,849	7,652
Interest paid		(35,939)	(31,343)
Income tax paid		(131,545)	(75,554)
Net cash (used in) provided by operating activities		(197,418)	567,715

(Continued)

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets – current		$ -	$ 5,503
Decrease (increase) in other financial assets – current		72,329	(22,558)
Acquisition of financial assets measured at cost – non-current		(23,157)	-
Proceeds from disposal of financial assets measured at cost – non-current		271	-
Proceeds from capital reduction of financial assets measured at cost – non-current		12,689	497
Acquisition of investments accounted for using equity method		(42,000)	(4,915)
Net cash flow from acquisition of subsidiaries		(5,177)	1,045
Acquisition of property, plant and equipment	6(10)	(34,082)	(42,146)
Proceeds from disposal of property, plant and equipment		801	2,773
Acquisition of intangible assets		(9,843)	(15,247)
Decrease in refundable deposits		(7,565)	(5,273)
Increase in other non-current assets		(40,527)	-
Net cash used in investing activities		(76,261)	(80,321)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings		435,810	(63,121)
Repayment of long-term borrowings		(4,415)	(807)
Increase (decrease) in guarantee deposits received		17	(86)
Proceeds from exercise of employee stock options		-	208
Cash dividends paid	6(19)	(330,140)	(181,562)
Changes in non-controlling interests		-	455
Net cash provided by (used in) financing activities		101,272	(244,913)
Effect of exchange rate changes on cash and cash equivalents		(50,890)	53,139
(Decrease) increase in cash and cash equivalents		(223,297)	295,620
Cash and cash equivalents at beginning of year	6(1)	1,628,171	1,332,551
Cash and cash equivalents at end of year	6(1)	$ 1,404,874	$ 1,628,171

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

MARKETECH INTERNATIONAL CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

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.

THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 22, 2016.

APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the Taiwan Stock Exchange or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (excluding IFRS 9, ‘Financial instruments’) as endorsed by the Financial Supervisory Commission and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" effective January 1, 2015 (collectively referred herein as the “2013 version of IFRSs”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 1, ‘Presentation of financial statements’

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

B. IFRS 10, ‘Consolidated financial statements’

The standard replaces the requirements relating to consolidated financial statements in IAS 27, ‘Consolidated and separate financial statements’ and IAS 27 therefore is renamed ‘Separate financial statements’; the standard also supersedes requirements in SIC-12, ‘Consolidation- special purpose entities’. The standard defines the principle of control that an investor controls an investee if and only if the investor has all three elements of control.

The Group changes the definition of control in accordance with the standard.

C. IFRS 12, ‘Disclosure of interests in other entities’

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

D. IFRS 13, ‘Fair value measurement’

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. Also, the standard requires disclosures about fair value measurements. Based on the Group’s assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

E. IAS 19 (revised), ‘Employee benefits’

The revised standard makes amendments that net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability, replaces the finance charge and expected return on plan assets. The revised standard eliminates the accounting policy choice that the actuarial gains and losses could be recognised based on corridor approach or recognised in profit or loss. The revised standard requires that the actuarial gains and losses can only be recognised immediately in other comprehensive income when incurred. Past service cost will be recognised immediately in the period incurred and will no longer be amortised using straight-line basis over the average period until the benefits become vested. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs, rather than when the entity is demonstrably committed to a termination. Additional disclosures are required for defined benefit plans.

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

None.

IFRSs issued by IASB but not yet endorsed by the FSC

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by International Accounting Standards Board (Note 1)
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment Entities: Applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014 (Note 2)
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016 (Note 3)

The Group is assessing the potential impact of the new, revised or amended standards and interpretations above. The impact will be disclosed when the assessment is complete.

Note 1:The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the 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" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

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 the IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

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, 2015	December 31, 2014	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	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2015	Percentage of Ownership (%) December 31, 2014	Note
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.	Hoa Phong Marketech Co., Ltd.	Specialized contracting and related repair services	100	100	Note 2
Marketech International Corp.	Marketech Integrated Manufacturing Company Limited	Design, manufacturing, installation of automatic production equipment and its parts	100	-	-
Marketech International Corp.	Marketech International Sdn. Bhd.	Specialized contracting and related repair services	34	-	Note 6
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	60	-
MIC-Tech Ventures Asia Pacific Inc.	MICT International Limited	Investment holding and reinvestment	100	50	Note 3
MIC-Tech Ventures Asia Pacific Inc.	Frontken MIC Co., Limited	Investment holdings and reinvestment	100	40	Note 5

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2015	Percentage of Ownership (%) December 31, 2014	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, 2015	Percentage of Ownership (%) December 31, 2014	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	-

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2015	Percentage of Ownership (%) December 31, 2014	Note
MIC-Tech Ventures Asia Pacific Inc.	SKMIC (WUXI) Corp.	Design and installation of semiconductor device, crystal dedicated device, electronic component device, environment pollution preventing equipment; wholesale, commission agency and import of chemical products, semiconductors, inspection equipment and its consumables, solar equipment consumables and boilers that generate electricity; international and entreport trade, trading and trading agency among enterprises in customs bonded area; consulting service for trading	49	49	Note 1

Name of investor	Name of subsidiary	Main business activities	Percentage of Ownership (%) December 31, 2015	Percentage of Ownership (%) December 31, 2014	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, 2015	Percentage of Ownership (%) December 31, 2014	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	-
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
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	-	100	Note 4
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, 2015	Percentage of Ownership (%) December 31, 2014	Note
Marketech Integrated Pte. Ltd.	Marketech International Sdn. Bhd.	Specialized contracting and related repair services	66	100	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: The Company originally held 40% share ownership of Hoa Phong Marketech Co., Ltd. (Hoa Phong MIC). The stockholders who held the remaining 60% of share ownership surrendered their shares in August 2014 and registered the change in October 2014. As the Group holds all voting rights in Hoa Phong MIC, it is included in the consolidated entities.

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% 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 30 2015.

Note 6: The Company has directly invested in Marketech International Sdn. Bhd. (MISB) since October 2015 and acquired 34% of the shares in MISB. Therefore, the Company’s subsidiary, Marketech Integrated Pte. Ltd.’s share ownership of MISB was decreased from 100% to 66%.

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, 2015 and 2014, the non-controlling interests amounted to $5,202 and $4,094, respectively. Subsidiaries that have non-controlling interests are not material to the Group.

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 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 Group still retains partial interest in the former foreign associate after losing significant influence over the former foreign associate, 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.

Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

C. Assets and liabilities relating to undertaking construction are classified as a current and non-current based on operating cycle.

Cash and 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.

Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

B. On a regular way purchase or sale basis, financial assets held for trading, except for beneficiary certificates, are recognised and derecognised using settlement date accounting. Others are recognised and derecognised using trade date accounting. Financial assets initially designed at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

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.

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.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

Inventories

The perpetual inventory system is adopted for inventory recognition. Cost is the basis for recognition and is determind 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.

Construction contracts

A. IAS 11, 'Construction Contracts', defines a construction contract as a contract specifically negotiat ed 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’.

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.

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 balance sheet date. 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

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.

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.

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 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.

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.

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.

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.

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.

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 (bonuses) and directors' and supervisors' remuneration

Employees' compensation (bonuses) 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.

<u>Employee share-based payment</u>

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.

<u>Income tax</u>

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 Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in 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 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.

<u>Share capital</u>

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.

<u>Dividends</u>

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.

<u>Revenue recognition</u>

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.

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 acquire 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.

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.

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 Group recognises contract revenue and profit based on management's evaluation to contract profit and percentage of completion. Management examines and corrects 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 Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group 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.

DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash on hand	$ 18,237	$ 16,917
Checking accounts and demand deposits	1,370,532	1,610,648
Time deposits	16,105	606
Total	$ 1,404,874	$ 1,628,171

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.

Financial assets at fair value through profit or loss – current

	December 31, 2015	December 31, 2014
Financial assets held for trading -listed stocks	$ 7,592	$ 14,192
Valuation adjustment of financial assets held for trading	(1,873)	(2,496)
Total	$ 5,719	$ 11,696

A. The Group recognised net gain of $863 and $3,822 on financial assets held for trading for the years ended December 31, 2015 and 2014, respectively.

B. The Group has no financial assets at fair value through profit or loss pledged to others.

Notes receivable

	December 31, 2015	December 31, 2014
Notes receivable	$ 107,617	$ 37,675
Less: allowance for bad debts	(1,225)	-
Total	$ 106,392	$ 37,675

Accounts receivable

	December 31, 2015	December 31, 2014
Accounts receivable	$ 3,428,979	$ 3,402,422
Less: allowance for bad debts	(356,232)	(310,387)
Total	$ 3,072,747	$ 3,092,035

The Group does not hold any collateral as security.

Inventories

	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

	December 31, 2014		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	$ 314,478	($ 20,657)	$ 293,821
Merchandise inventory	672,662	(48,779)	623,883
Raw materials	356,276	(14,250)	342,026
Supplies	20,568	(1,628)	18,940
Work in process	434,570	(8,745)	425,825
Semi-finished goods and finished goods	158,069	(9,605)	148,464
Total	$ 1,956,623	($ 103,664)	$ 1,852,959

Relevant expenses of inventories recognised as operating costs for the years ended December 31, 2015 and 2014 are as follows:

	Years ended December 31, 2015	Years ended December 31, 2014
Construction cost	$ 9,275,955	$ 7,454,592
Cost of sales	5,994,759	5,202,618
Other operating cost	746,320	570,740
Valuation loss and loss on market value decline and obsolete and slow-moving inventories gains on reversal (Note)	(12)	(21,616)
Total	$ 16,017,022	$ 13,206,334

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

The Group has no inventories pledged to others.

Prepayments

	December 31, 2015	December 31, 2014
Prepayment for purchases	$ 358,506	$ 562,429
Others	40,120	11,531
Total	$ 398,626	$ 573,960

Construction contracts receivable / payable

	December 31, 2015	December 31, 2014
Aggregate costs incurred plus recognised profits (less recognised losses)	$ 19,621,107	$ 15,134,073
Less: progress billings	(18,373,035)	(13,797,963)
Net balance sheet position for construction in progress	$ 1,248,072	$ 1,336,110
Presented as:		
Receivables from customers on construction contracts	$ 2,485,012	$ 2,354,614
Payables to customers on construction contracts	(1,236,940)	(1,018,504)
	$ 1,248,072	$ 1,336,110
Retentions relating to construction contracts	$ 40,509	$ 35,355
Advances received before the related construction work is performed	$ 246,893	$ 62,031

Financial assets at cost - non-current

	December 31, 2015	December 31, 2014
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
Calitech Co., Ltd.	38,563	38,675
Civil Tech Pte. Ltd.	19,500	19,500
VEEV Interactive Pte. Ltd.	15,243	25,243
ProbeLeader Co., Ltd.	14,490	14,490
H&D Venture Capital Investment Corp.	12,800	20,000
IP Fund Six Co., Ltd.	10,000	10,000
Innorich Venture Capital Corp.	10,000	-
H&H Venture Capital Investment Corp.	6,840	12,000
Others (companies individually not exceeding $10,000)	33,486	26,327
Total	$ 287,714	$ 293,027

A. According to the Group's investment purpose, the abovementioned stocks held by the Group shall be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in an active market, and no sufficient industry information of companies similar to the abovementioned companies can be obtained, the fair value of the stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets at cost – non-current'.

B. The ending balances of VEEV Interactive Pte. Ltd. for the years ended December 31, 2015 and 2014 were assessed to decline significantly and would be lower than the original investment cost. Therefore, impairment loss of $10,000 and $3,000 was recognised on equity investment, respectively.

C. The ending balances of SOPOWER Technology Corp. for the years ended December 31, 2015 and 2014 were assessed to decline dramatically and would be lower than the original investment cost. Therefore, impairment loss of $4,500 and $15,000 was recognised on equity investment, respectively.

D. The Group has no financial assets measured at cost pledged to others.

Investments accounted for using equity method

A. Details of investments accounted for using the equity method:

	December 31, 2015		December 31, 2014	
	Carrying amount	% interest held	Carrying amount	% interest held
Solmark Advanced Materials Technology, Inc.	$ 41,274	30%	$ -	-
Glory Technology Service Inc.	28,316	40%	29,082	40%
Leader Fortune Enterprise Co., Ltd.	4,243	31.43%	7,546	31.43%
MIC Techno Co., Ltd.	1,882	20%	2,069	20%
True Victor International Limited	289	38.57%	315	38.57%
MICT International Limited (Note 1)	-	-	12,632	50%
Frontken MIC Co. Limited (Note 2)	-	-	4,565	40%
Total	$ 76,004		$ 56,209	

Note 1: The Group originally held 50% of 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.), it and its subsidiary (Integrated Manufacturing & Services Co., Ltd.) have been included in the consolidated financial statements effective March 2015.

Note 2: 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.) have been included in the consolidated financial statements since September 2015.

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,	
	2015	2014
Loss for the period from continuing operations	($ 6,691)	($ 33,855)
Other comprehensive income - net of tax	43	2,277
Total comprehensive loss	($ 6,648)	($ 31,578)

Property, plant and equipment

	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

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
At January 1, 2014						
Cost	$ 205,438	$ 1,761,682	$ 627,643	$ 171,113	$ 22,199	$ 2,788,075
Accumulated depreciation	-	(620,661)	(501,127)	(131,293)	(15,042)	(1,268,123)
Book value	$ 205,438	$ 1,141,021	$ 126,516	$ 39,820	$ 7,157	$ 1,519,952
Year ended December 31, 2014						
Opening net book amount	$ 205,438	$ 1,141,021	$ 126,516	$ 39,820	$ 7,157	$ 1,519,952
Acquired from business combination	-	3,445	12,487	13,061	13,153	42,146
Additions	-	-	-	140	239	379
Disposals	-	-	(2,474)	(857)	(95)	(3,426)
Depreciation	-	(66,367)	(27,106)	(14,269)	(745)	(108,487)
Net exchange differences	-	8,788	1,567	481	76	10,912
Closing net book amount	$ 205,438	$ 1,086,887	$ 110,990	$ 38,376	$ 19,785	$ 1,461,476
At December 31, 2014						
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

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.

Short-term borrowings

		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		

		December 31, 2014	Interest rate range	Collateral
Bank borrowings				
Unsecured borrowing	$	864,869	1.1%~7.28%	None
Mortgage loan		88,937	1.19%~7.2%	Buildings and time deposits
	$	953,806		

Other payables

		December 31, 2015		December 31, 2014
Salaries and bonus payable	$	297,362	$	289,054
Accrued employees' compensation (bonuses) and directors' and supervisors' remuneration		46,197		38,221
Others		77,733		67,815
Total	$	421,292	$	395,090

Advance receipts

		December 31, 2015		December 31, 2014
Sales revenue received in advance	$	590,997	$	535,760
Others		7,117		47,619
Total	$	598,114	$	583,379

Long-term borrowings

	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2014
Bank borrowings				
Mortgage loan	Borrowing period is from August 20, 2007 to August 20, 2017; interest is payable monthly; principal is payable from January 2008	1.75%	Buildings	$ 4,576
Less: current portion (listed as other current liabilities)				(1,646)
				$ 2,930

A. The Group has no long-term bank borrowings as of December 31, 2015.

B. The Group has no long-term bank borrowings with interest that was past due.

C. The Group has not signed any unsecured borrowing facility contract which requires the Group to meet specified levels for certain financial ratios as per financial statements.

D. The Group has the following undrawn borrowing facilities:

	December 31, 2015	December 31, 2014
Floating rate:		
Expiring beyond one year	$ 900,000	$ 900,000
Fixed rate:		
Expiring beyond one year	14,415	10,266
	$ 914,415	$ 910,266

E. Details of pledged assets are provided in Note 8.

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 insufficent 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, 2015	December 31, 2014
Present value of defined benefit obligations	$ 242,770	$ 221,827
Fair value of plan assets	(112,180)	(106,710)
Net defined benefit liability	$ 130,590	$ 115,117

(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, 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 or 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)

	Present value of defined benefit obligations	Fair value of Plan assets	Net defined benefit liability
Year ended December 31, 2014			
Balance at January 1	($ 225,998)	$ 100,089	($ 125,909)
Current service cost	(1,402)	-	(1,402)
Interest (expense) income	(4,513)	1,800	(2,713)
Past service cost	141	-	141
Settlement profit or loss	1,258	(1,205)	53
	(230,514)	100,684	(129,830)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	580	580
Change in demographic assumptions	(7,744)	-	(7,744)
Change in financial assumptions	16,440	-	16,440
Experience adjustments	(9)	-	(9)
	8,687	580	9,267
Pension fund contribution	-	5,446	5,446
Balance at December 31	($ 221,827)	$ 106,710	($ 115,117)

(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 earning is less than aforementioned rates, government shall make payment for the deficit after 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 constitution of fair value of plan assets as of December 31, 2015 and 2014 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,	
	2015	2014
Discount rate	1.50%	2.00%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Moratlity 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, 2015				
Effect on present value of defined benefit obligation	($ 8,492)	$ 8,902	$ 8,835	($ 8,47

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 calculate net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ended December 31, 2016 amounts to $5,812.

(g) As of December 31, 2015, the weighted average duration of the defined benefit pension plan is 14 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, 2015 and 2014 were $89,835 and $78,566, respectively.

Share-based payment

A. For the years ended December 31, 2015 and 2014, 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	2008.6.13	130	6 years	2~4 years' service
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,			
	2015		2014	
	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	-	$ -	130	$ 16.00
Options granted	3,956	19.60	-	-
Options exercised	-	-	(13)	16.00
Options forfeited	-	-	(117)	16.00
Options outstanding at end of the period	3,956	19.60	-	(Note)
Options exercisable at end of the period	-		-	(Note)
Options approved but not yet issued at end of the period	44		-	

Note: The Company's compensatory stock options with the grant date on June 13, 2008 were all expired on June 12, 2014.

C. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2014 was $21.95 (in dollars).

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		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

E. 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 va per un
Employee stock options	2015.9.11	$ 19.60	$ 19.60	34.91%	4.375 years	0%	0.81%	$ 5.83

F. Expenses incurred on share-based payment transactions are $ 2,419 and $ 0 for the years ended December 31, 2015 and 2014, respectively.

Share capital

A. To increase the Company's working capital, the Company has exercised employees' stock options during 2014. The capital increase was approved by the Financial Supervisory Commission (FSC). The registration was completed in April 2014.

B. As of December 31, 2015, 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.

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

	Years ended December 31, 2015	2014
At January 1	165,069,756	165,056,756
Share-based payment	-	13,000
At December 31	165,069,756	165,069,756

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, 2015			
	Share premium	Employee stock options	Expired stock options	Total
At January 1, 2015	$ 616,003	$ -	$ 351	$ 616,354
Compensation cost of employee stock options	-	2,419	-	2,419
At December 31, 2015	$ 616,003	$ 2,419	$ 351	$ 618,773

	Year ended December 31, 2014			
	Share premium	Employee stock options	Expired stock options	Total
At January 1, 2014	$ 615,925	$ 351	$ -	$ 616,276
Employee stock options exercised	78	-	-	78
Employee stock options that were past due and not exercised have been transferred and expired options have been recognised	-	(351)	351	-
At December 31, 2014	$ 616,003	$ -	$ 351	$ 616,354

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 2014 and 2013 earnings appropriation resolved by the stockholders on May 28, 2015 and June 12, 2014, respectively are as follows:

	2014		2013	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 38,454	$ -	$ 22,261	$ -
Cash dividends	330,140	2.0	181,562	1.1
Total	$ 368,594		$ 203,823	

The abovementioned earnings distribution of 2014 and 2013 were the same as the amounts proposed by the Board of Directors on February 24, 2015, March 7, 2014 and April 9, 2014, respectively.

Information about the earnings appropriation for 2014 and 2013 by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(b) Details of 2015 earnings appropriation proposed by the Board of Directors on February 22, 2016, are as follows:

	2015	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 45,872	$ -
Cash dividends	330,140	2.0
Total	$ 376,012	

Information about the earnings appropriation of the Company as proposed by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

The earnings distribution of 2015 have not been resolved by the stockholders, thus, no dividend was accrued in these consolidated financial statements.

F. For the information relating to employees’ compensation (bonuses) and directors’ and supervisors’ remuneration, please refer to Note 6(22).

Operating revenue

	Years ended December 31, 2015	Years ended December 31, 2014
Construction revenue	$ 9,867,449	$ 7,997,319
Sales revenue	6,892,576	5,944,705
Other operating revenue	1,271,599	1,023,375
Total	$ 18,031,624	$ 14,965,399

Other gains and losses

	Years ended December 31, 2015	Years ended December 31, 2014
Net gain on financial assets at fair value through profit or loss	$ 863	$ 3,822
Loss on disposal of investments	(123)	(4,012)
Impairment loss on financial assets	(14,829)	(23,234)
Exchange gain	17,760	9,584
Other losses	(8,353)	(8,777)
Total	($ 4,682)	($ 22,617)

Employee benefit expense, depreciation and amortisation

A. Employee benefit expense, depreciation and amortisation

	Year ended December 31, 2015		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 579,867	$ 709,448	$ 1,289,315
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	28,291	47,199
Depreciation	68,656	37,322	105,978
Amortisation	4,751	16,333	21,084

	Year ended December 31, 2014		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 518,861	$ 676,597	$ 1,195,458
Labour and health insurance fees	55,480	53,486	108,966
Pension costs	41,041	41,446	82,487
Other employee benefit expense	16,023	19,902	35,925
Depreciation	71,160	37,327	108,487
Amortisation	4,259	17,268	21,527

B. Employees' compensation (bonuses) and directors' and supervisors' remuneration

(a) According to the Articles of Incorporation of the Company, when distributing earnings, 1%~15% shall be appropriated as employees' bonus and 1% shall be appropriated as directors' and supervisors' remuneration. However, in accordance with the revised Articles 235, 240 and newly added Article 235-1 of the Company Act, effective May 20, 2015, dividend and bonus (earnings distribution) are paid only for shareholders. Earnings are not distributed to employees. The Articles of Incorporation provides that profits for the year shall be distributed as compensation to employees at a certain ratio.

Due to the procedure restriction to revise the Articles of Incorporation, the procedure of appropriation of remuneration to directors and supervisors and compensation to employees was approved by the Board of Directors on August 3, 2015 but yet to be resolved by the shareholders. If the Company has any profit for the current year, the Company shall first set aside 1% as directors' and supervisors' remuneration and then 1%~15% as employees' compensation in accordance with the Company Act. If a company has accumulated deficit, earnings shall be retained to cover losses. Therefore, the Company accrued the employees' compensation based on the current Articles of Incorporation which approved by the Board of Directors but not yet resolved by stockholders. The Company expects to revise the Company's Articles of Incorporation in 2016 based on the amended Company Act.

(b) For the year ended December 31, 2015, employees' compensation and directors' and supervisors' remuneration were accrued based on the profit before tax of current year (6.5% and 1% for employees and directors/supervisors, respectively). Accrued employees' compensation and directors' and supervisors' remuneration were recognised in salary expenses.

(c) For the year ended December 31, 2014, employees' bonuses and directors' and supervisors' remuneration were accrued based on the net income of current year and the percentage specified in the Articles of Incorporation of the Company (10% and 1% for employees and directors/supervisors, respectively). Accrued employees' bonuses and directors' and supervisors' remuneration were recognised in salary expenses. If the amount resolved by the stockholders has significant change after the balance sheet date, adjustments will be made in the statement of comprehensive income of current year.

(d) For the years ended December 31, 2015 and 2014, employees' compensation (bonuses) and directors' and supervisors' remuneration are accrued as follows:

	Years ended December 31,			
	2015		2014	
Employees' remuneration (bonuses)	$	40,000	$	34,715
Directors' and supervisors' remuneration		6,197		3,506
	$	46,197	$	38,221

The difference between employees' bonuses of $34,715 and directors' and supervisors' remuneration of $3,461 as resolved by the stockholders in 2014 and the amount recognised in the 2014 financial statements by $45 had been adjusted in the 2015 statement of comprehensive income.

Furthermore, the Board of Directors has proposed that the Company distribute employees' compensation of $40,000 and directors' and supervisors' remuneration of $6,197 on February 22, 2016. If the accrued amounts for employees' compensation and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences will be adjusted in the profit or loss of 2016.

Abovementioned information about employees' compensation (bonuses) and directors' and supervisors' remuneration will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,			
	2015		2014	
Current tax				
Current tax on profits for the period	$	134,605	$	100,672
Additional 10% tax on undistributed earnings		2,364		3,999
Adjustments in respect of prior years		2,817	(	1,871)
Total current tax		139,786		102,800
Deferred tax				
Origination and reversal of temporary differences	(	13,382)	(	19,134)
Income tax expense	$	126,404	$	83,666

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2015	2014
Currency translation differences of foreign operations	$ 6,574	($ 9,686)
Remeasurements of defined benefit obligations	3,031	(1,576)
	$ 9,605	($ 11,262)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2015	2014
Tax calculated based on profit before tax and statutory tax rate	$ 99,686	$ 80,101
Effects from items disallowed by tax regulation	21,537	1,437
Additional 10% tax on undistributed earnings	2,364	3,999
Adjustments in respect of prior years	2,817	(1,871)
Income tax expense	$ 126,404	$ 83,666

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, 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 on financial assets	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

	Year ended December 31, 2014			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
—Deferred tax assets:				
Bad debt expense	$ 26,152	$ -	$ -	$ 26,152
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	12,750	(1,530)	-	11,220
Defined benefit obligation	21,405	(259)	(1,576)	19,570
Impairment loss on financial assets	4,420	3,400	-	7,820
Unused compensated absences payable	9,204	(1,426)	-	7,778
Unrealised loss on investments	10,130	18,439	-	28,569
Subtotal	84,061	18,624	(1,576)	101,109
—Deferred tax liabilities:				
Unrealised exchange gain	(42)	(2,895)	-	(2,937)
Unrealised construction gain	(16,401)	3,405	-	(12,996)
Exchange differences on translation	(21,084)	-	(9,686)	(30,770)
Subtotal	(37,527)	510	(9,686)	(46,703)
Total	$ 46,534	$ 19,134	($ 11,262)	$ 54,406

D. Assessment of the Company's and domestic subsidiary's income tax returns is as follows:

	Assessment
The Company	Through 2013
eZoom Information, Inc.	Through 2013

E. Unappropriated retained earnings:

	December 31, 2015	December 31, 2014
Earnings generated in and before 1997	$ -	$ -
Earnings generated in and after 1998	1,542,603	1,467,273
	$ 1,542,603	$ 1,467,273

F. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was $354,821 and $324,023, respectively. The creditable tax rate was 27.15% for 2014 and is estimated to be 27.83% for 2015.

Earnings per share

	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' compensation		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

	Year ended December 31, 2014		
	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	$ 384,545	165,066	$ 2.33
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonuses		1,928	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 384,545	166,994	$ 2.30

Operating leases

Details are provided in Note 9(1).

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 $4,072. 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 Frontken MIC Co. 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.), Frontken MIC and 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
Gain recognised in bargain purchase	($ 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.

C. Acquired the share ownership of Hoa Phong Marketech Co., Ltd.

(a) The Company originally held 40% share ownership of Hoa Phong Marketech Co., Ltd. (Hoa Phong MIC). The stockholders who held the remaining 60% of share ownership surrendered their shares in August 2014 and the change was registered in October 2014. As the Group holds all voting rights in Hoa Phong MIC, it is included in the consolidated financial statements from the date of acqusition.

(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 Hoa Phong MIC:

	August 31, 2014
Purchase consideration	
Fair value of equity interest in Hoa Phong MIC held before the business combination	$ 819
Fair value of the non-controlling interest	1,229
	$ 2,048
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	$ 1,045
Other current assets	1,109
Property, plant and equipment	379
Other non-current assets	194
Current liabilities	(679)
Total identifiable net assets	$ 2,048

(c) The Group recognised a loss of $5,754 as a result of measuring at fair value its 40% equity interest in Hoa Phong MIC held before the business combination.

(d) The operating revenue included in the consolidated statement of comprehensive income since August 31, 2014 until December 31, 2014 contributed by Hoa Phong MIC was $190. Hoa Phong MIC also contributed loss before income tax of $1,087 over the same period. Had Hoa Phong MIC been consolidated starting from January 1, 2014, the consolidated statement of comprehensive income would show operating revenue of $14,965,805 and profit before income tax of $470,287 for the year ended December 31, 2014.

RELATED PARTY TRANSACTIONS

(1) Significant related party transactions and balances

A. Sales of goods and services

	Years ended December 31,	
	2015	2014
Sales of goods		
Entities controlled by key management or entities with significant influence	$ 72,275	$ 52,951
Other related parties	21,637	860
Associates	-	4,279
Total	$ 93,912	$ 58,090

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,	
	2015	2014
Purchases of goods		
Entities controlled by key management or entities with significant influence	$ 34,133	$ 12,392

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,	
	2015	2014
Outsourcing construction costs		
Entities controlled by key management or entities with significant influence	$ 24,446	$ 60,102
Other related parties	4,329	10,780
Total	$ 28,775	$ 70,882

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, 2015	December 31, 2014
Other related parties	$ 12,591	$ 1,261
Associates	-	4,710
Entities controlled by key management or entities with significant influence	11,211	3,566
Subtotal	23,802	9,537
Less: allowance for bad debts	(461)	(88)
Total	$ 23,341	$ 9,449

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, 2015	December 31, 2014
Entities controlled by key management or entities with significant influence	$ 20,610	$ 20,020
Other related parties	-	3,816
Total	$ 20,610	$ 23,836

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

	December 31, 2015	December 31, 2014
Associates	$ 7,044	$ 16,267
Entities controlled by key management or entities with significant influence	6,483	6,456
Other related parties	44	5,969
Total	$ 13,571	$ 28,692

F. Property transactions

On December 31, 2015 and 2014, the Group has acquired computer equipment and related software from entities controlled by key management and the acquisition price was $16,445 and $14,437 (recorded as ‘property, plant and equipment’ and ‘intangible assets’), respectively.

G. Financing

Financing to related parties in 2014 is as follows:

	Year ended December 31, 2014			
	Maximum balance	Ending balance	Interest rate	Interest revenue
Entities controlled by key management or entities with significant influence	$ 19,600	$ -	4.896%	$ 108

The Group's financing to entities controlled by key management or entities with significant influence mainly refers to financing to SOPOWER Technology Corp. This financing represents accounts receivable arising from sales of goods. The amount exceeding normal credit limit to third parties was transferred to other receivables and treated as loans to others. As of December 31, 2014, the receivables were fully collected.

(2) Key management compensation

	Years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	$ 54,417	$ 50,498

PLEDGED ASSETS

Details of the book value of the Group's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2015	December 31, 2014	Purpose
Time deposits (recorded as 'other current assets')	$ 17,769	$ 90,098	Guarantee for bank's borrowing facility
Refundable deposits (recorded as 'other current assets')	45,022	41,240	Bid bond and performance guarantee
Buildings (recorded as 'property, plant and equipment')	167,820	184,492	Guarantee for bank's borrowing facility
	$ 230,611	$ 315,830	

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 $137,201 and $120,366 for these leases in profit or loss for the years ended December 31, 2015 and 2014, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2015	December 31, 2014
Not later than one year	$ 49,740	$ 46,422
Later than one year but not later than five years	72,361	40,932
Later than five years	27,880	36,412
Total	$ 149,981	$ 123,766

(2) As of December 31, 2015, the notes and letters of guarantee used for construction performance and custom security amounted to $1,780,752.

SIGNIFICANT DISASTER LOSS

None.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(19) E(b).

OTHERS

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.

Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable (including related parties), 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, long-term borrowings (including current portion) and guarantee deposits received (recorded as 'other non-current liabilities')) 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

<u>Foreign exchange risk</u>

- The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, RMB 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, SGD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2015					
				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	-

	December 31, 2014					
				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	$ 22,813	31.65	$ 722,029	1%	$ 7,220	$ -
USD：RMB	11,072	6.2157	350,443	1%	3,504	-
EUR：NTD	3,242	38.47	124,710	1%	1,247	-
EUR：USD	2,033	1.22	78,224	1%	782	-
JPY：NTD	291,488	0.2646	77,128	1%	771	-
Financial liabilities						
Monetary items						
USD：NTD	$ 5,213	31.65	$ 164,981	1%	$ 1,650	$ -
USD：RMB	28,225	6.2157	893,307	1%	8,933	-
JPY：NTD	173,768	0.2646	45,979	1%	460	-

- 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, 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)

	Year ended December 31, 2014		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD：RMB	$ 656	6.2157	$ 3,342
EUR：USD	(292)	1.22	(9,227)
Financial liabilities			
Monetary items			
USD：RMB	($ 1,599)	6.2157	($ 8,143)

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 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, 2015 and 2014 would have increased/decreased by $76 and $142, as a result of gains/losses on equity securities classified as at fair value through profit or loss. For the years ended December 31, 2015 and 2014, the amount reduced from adjustments in equity and included in profit or loss was $0 and $1,512, 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, 2015 and 2014 would have increased/ decreased by $11,377 and $7,955, 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, 2015	December 31, 2014
Up to 90 days	$ 661,497	$ 1,013,232

iv. Movement analysis of notes and accounts receivable (including related parties) that were impaired is as follows:

a. As of December 31, 2015 and 2014, the Group's notes and accounts receivable that were impaired amounted to $2,376,220 and $2,078,861, and allowance for bad debts was accrued as $357,918 and $310,475, respectively.

b. Movements on the Group's provision for impairment of accounts receivable are as follows:

	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

	Year ended December 31, 2014		
	Individual provision	Group provision	Total
At January 1	$ 173,630	$ 131,303	$ 304,933
Provision of impairment during the period	8,965	9,124	18,089
Write-offs during the period	(17,277)	-	(17,277)
Transfer during the period	7,518	(7,518)	-
Effect of exchange rate	2,545	2,185	4,730
At December 31	$ 175,381	$ 135,094	$ 310,475

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, 2015	December 31, 2014
Type A	$ 4,387	$ -
Type B	233,420	143,795
Type C	284,874	213,746
	$ 522,681	$ 357,541

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, 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 (including related parties)	806,991	-	-	-
Accounts payable (including related parties)	2,761,374	-	-	-
Other payables	421,292	-	-	-

December 31, 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 953,806	$ -	$ -	$ -
Notes payable (including related parties)	807,648	-	-	-
Accounts payable (including related parties)	3,382,915	-	-	-
Other payables	395,090	-	-	-
Long-term borrowings (including current portion)	1,646	1,668	1,262	-

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.

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, 2015 and 2014 is as follows:

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

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 11,696	$ -	$ -	$ 11,696

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.

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.

Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 5.

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.

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.

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.

Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments for the years ended December 31, 2015 and 2014 is as follows:

	Year ended December 31, 2		
	Sales and services for equipment materials segment	Facility system and mechanic & electric system service segment	Customized equipment manufacturing segment
Revenue from external customers	$ 3,421,859	$ 11,157,212	$ 3,378,095
Inter-segment revenue	61,806	67,078	8,537
Total segment revenue	$ 3,483,665	$ 11,224,290	$ 3,386,632
Segment profit	$ 298,574	$ 95,900	$ 171,996
Segment profit including:			
Depreciation and amortisation	$ 5,953	$ 51,755	$ 65,471

	Year ended December 31, 2014			
	Sales and services for equipment materials segment	Facility system and mechanic & electric system service segment	Customized equipment manufacturing segment	Other s
Revenue from external customers	$ 3,034,747	$ 9,288,111	$ 2,589,844	$
Inter-segment revenue	55,972	53,839	3,151	
Total segment revenue	$ 3,090,719	$ 9,341,950	$ 2,592,995	$
Segment profit (loss)	$ 221,482	$ 143,449	$ 144,674	($
Segment profit including:				
Depreciation and amortisation	$ 7,603	$ 50,176	$ 68,537	$

Reconciliation for segment income (loss)

Sales and service 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, 2015 and 2014 is provided as follows:

	Years ended December 31,	
	2015	2014
Reportable segments income	$ 566,470	$ 509,605
Other reportable segments income (loss)	7,966	(5,306)
Total segments	574,436	504,299
Other gains and losses	26,905	(8,868)
Loss on disposal of investments	(123)	(4,012)
Impairment loss	(14,829)	(23,234)
Income before tax from continuing operations	$ 586,389	$ 468,185

Information on products

Details of revenue balance is as follows:

	Years ended December 31,	
	2015	2014
Total Facility Engineering Turnkey Project	$ 5,045,118	$ 4,590,487
Sales and service of high-tech equipment and materials	4,762,693	4,263,305
Automatic supplying system	4,191,460	2,847,903
R&D and manufacturing of customized equipment	4,032,353	3,263,704
Total	$ 18,031,624	$ 14,965,399

Geographical information

Financial information by geographical area for the years ended December 31, 2015 and 2014 is as follows:

	Years ended December 31,			
	2015		2014	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 9,338,747	$ 1,141,613	$ 8,275,446	$ 1,185,124
China	5,600,175	245,171	4,399,673	251,817
Others	3,092,702	104,868	2,290,280	66,952
Total	$ 18,031,624	$ 1,491,652	$ 14,965,399	$ 1,503,893

Note: Revenue is classified based on geographic location of customers and non-current assets are classified based on assets location.

Major customer information

Information of customers whose revenue exceeds 10% of the total operating revenue for the years ended December 31, 2015 and 2014:

	Years ended December 31,			
	2015		2014	
	Revenue	Segment	Revenue	Segment
Customer A	$ 3,344,098	Facility system and mechanic & electric system service segment	$ 2,980,983	Facility system and mechanic & electric system service 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, 2015 AND 2014

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.

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

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

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Marketech International Corp. as of December 31, 2015 and 2014, and the results of its financial performance and cash flows for the years then ended, in conformity with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers".

PricewaterhouseCoopers, Taiwan

February 22, 2016

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.
SEPARATE BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2015 AMOUNT	%	December 31, 2014 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 670,818	7	$ 634,883	7
1110	Financial assets at fair value through profit or loss - current	6(2)	5,719	-	11,696	-
1150	Notes receivable, net	6(3)	63,435	1	19,109	-
1170	Accounts receivable, net	6(4)(6)	1,950,129	21	2,072,267	23
1180	Accounts receivable - related parties, net	7	22,474	-	36,621	-
1190	Construction contracts receivable	6(6) and 7	1,613,903	17	1,758,141	19
1200	Other receivables	7	21,871	-	41,305	1
130X	Inventories, net	6(5)	1,566,187	17	1,251,338	14
1410	Prepayments		155,739	2	208,680	2
1470	Other current assets	8	43,506	-	34,054	-
11XX	**Total current assets**		6,113,781	65	6,068,094	66
	Non-current assets					
1543	Financial assets at cost-non-current	6(7)	285,816	3	293,027	3
1550	Investments accounted for using equity method	6(8)	1,653,587	18	1,542,064	17
1600	Property, plant and equipment, net	6(9) and 7	1,126,399	12	1,168,848	13
1780	Intangible assets	7	12,265	-	14,469	-
1840	Deferred tax assets	6(20)	108,037	1	101,109	1
1900	Other non-current assets	6(8)(9)	42,037	1	10,583	-
15XX	**Total non-current assets**		3,228,141	35	3,130,100	34
1XXX	**Total Assets**		$ 9,341,922	100	$ 9,198,194	100

(Continued)

MARKETECH INTERNATIONAL CORP.
SEPARATE BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2015 AMOUNT	%	December 31, 2014 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 490,000	5	$ -	-
2150	Notes payable		806,991	9	807,648	9
2170	Accounts payable		1,685,147	18	2,371,283	26
2180	Accounts payable - related parties	7	20,141	-	21,113	-
2190	Construction contracts payable	6(6)	1,099,852	12	916,758	10
2200	Other payables	6(11)	301,666	3	297,041	3
2230	Current tax liabilities	6(20)	77,393	1	74,238	1
2310	Advance receipts		217,263	2	161,072	1
2399	Other current liabilities, others		21,872	-	9,464	-
21XX	**Total current liabilities**		4,720,325	50	4,658,617	50
	Non-current liabilities					
2570	Deferred tax liabilities	6(20)	30,644	-	46,703	1
2600	Other non-current liabilities	6(12)	131,357	2	117,416	1
25XX	**Total non-current liabilities**		162,001	2	164,119	2
2XXX	**Total Liabilities**		4,882,326	52	4,822,736	52
	Equity					
	Share capital	6(14)				
3110	Ordinary shares		1,650,698	18	1,650,698	18
	Capital surplus	6(15)				
3200	Capital surplus		618,773	7	616,354	7
	Retained earnings	6(16)				
3310	Legal reserve		529,385	6	490,931	5
3320	Special reserve		92,239	1	92,239	1
3350	Unappropriated retained earnings	6(20)	1,542,603	16	1,467,273	16
	Other equity interest					
3400	Other equity interest		25,898	-	57,963	1
3XXX	**Total Equity**		4,459,596	48	4,375,458	48
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total Liabilities and Equity**		$ 9,341,922	100	$ 9,198,194	100

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

MARKETECH INTERNATIONAL CORP.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	Items	Notes	2015 AMOUNT	2015 %	2014 AMOUNT	2014 %
4000	**Operating Revenue**	6(17) and 7	$ 12,482,462	100	$ 10,432,963	100
5000	**Operating Costs**	6(5)(19) and 7	(10,996,701)	(88)	(9,144,096)	(88)
5900	**Gross Profit**		1,485,761	12	1,288,867	12
	Operating Expenses	6(19) and 7				
6100	Sales and marketing expenses		(256,264)	(2)	(238,015)	(2)
6200	General and administrative expenses		(439,859)	(4)	(378,058)	(4)
6300	Research and development expenses		(173,307)	(1)	(151,827)	(1)
6000	**Total operating expenses**		(869,430)	(7)	(767,900)	(7)
6900	**Operating Profit**		616,331	5	520,967	5
	Non-operating Income and Expenses					
7010	Other income	7	64,137	1	40,441	1
7020	Other gains and losses	6(2)(7)(18)	28,670	-	14,762	-
7050	Finance costs		(8,161)	-	(2,960)	-
7070	Share of gain (loss) of subsidiaries, associates and joint ventures accounted for using equity method		(127,460)	(1)	(108,372)	(1)
7000	**Total non-operating income and expenses**		(42,814)	-	(56,129)	-
7900	**Profit before Income Tax**		573,517	5	464,838	5
7950	Income tax expense	6(20)	(114,793)	(1)	(80,293)	(1)
8200	**Net Income**		$ 458,724	4	$ 384,545	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(12)	($ 17,831)	-	$ 9,267	-
8349	Income tax relating to the components of other comprehensive income	6(20)	3,031	-	(1,576)	-
8310	**Total components of other comprehensive (loss) income that will not be reclassified to profit or loss**		(14,800)	-	7,691	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		(38,655)	(1)	56,035	-
8362	Unrealized losses on valuation of available-for-sale financial assets		-	-	(1,512)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		16	-	911	-
8399	Income tax relating to components of other comprehensive income	6(20)	6,574	-	(9,686)	-
8360	**Total components of other comprehensive (loss) income that will be reclassified to profit or loss**		(32,065)	(1)	45,748	-
8300	**Other comprehensive (loss) income, net of tax**		($ 46,865)	(1)	$ 53,439	-
8500	**Total Comprehensive Income**		$ 411,859	3	$ 437,984	4
	Basic earnings per share	6(21)				
9750	**Basic earnings per share**		$	2.78	$	2.33
	Diluted earnings per share	6(21)				
9850	**Diluted earnings per share**		$	2.73	$	2.30

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

MARKETECH INTERNATIONAL CORP.
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Capital Reserves		Retaine	
	Notes	Share capital - ordinary shares	Capital surplus - share premium	Capital surplus - others	Legal reserve	Spec rese
2014						
Balance at January 1, 2014		$1,650,568	$ 615,925	$ 351	$ 468,670	$ 92
Appropriation and distribution of earnings for 2013: (Note)	6(16)					
Legal reserve		-	-	-	22,261	
Cash dividends		-	-	-	-	
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method		-	-	-	-	
Share-based payment	6(13)(14)(15)	130	78	-	-	
Profit for 2014		-	-	-	-	
Other comprehensive income for 2014		-	-	-	-	
Balance at December 31, 2014		$1,650,698	$ 616,003	$ 351	$ 490,931	$ 92
2015						
Balance at January 1, 2015		$1,650,698	$ 616,003	$ 351	$ 490,931	$ 92
Appropriation and distribution of earnings for 2014: (Note)	6(16)					
Legal reserve		-	-	-	38,454	
Cash dividends		-	-	-	-	
Share-based payment	6(13)(14)(15)	-	-	2,419	-	
Profit for 2015		-	-	-	-	
Other comprehensive income for 2015		-	-	-	-	
Balance at December 31, 2015		$1,650,698	$ 616,003	$ 2,770	$ 529,385	$ 92

Note: The stockholders have resolved to distribute directors' and supervisors' remuneration of $3,461 and employees' bonus of $34,715 for 2014 and distribute directors' and supervisors' remuneration of $2,003 and employees' bonus of $24,919 for 2013. 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.
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2105 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		$ 573,517	$ 464,838
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(18)	(863)	(3,822)
Provision for bad debt expense	12	36,226	-
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		127,460	108,372
Loss on disposal of investments	6(18)	681	4,012
Depreciation	6(9)(19)	70,666	77,311
Amortisation	6(19)	10,272	11,831
Gain on disposal of property, plant and equipment		(269)	(426)
Impairment loss on financial assets	6(18)	14,829	23,234
Compensation cost of share-based payments	6(13)(15)(19)	2,419	-
Interest income		(503)	(841)
Interest expense		8,161	2,960
Dividend income		(9,169)	(7,652)
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets measured at fair value through profit or loss - current		6,841	4,727
Notes receivable, net		(45,551)	89,074
Accounts receivable, net		87,137	(561,711)
Accounts receivable - related parties, net		14,147	(17,593)
Construction contracts receivable		144,238	(705,283)
Other receivables		18,067	(15,390)
Inventories, net		(314,849)	(25,872)
Prepayments		52,941	(76,702)
Other current assets		(16,664)	399
Net changes in liabilities relating to operating activities			
Notes payable		(657)	226,844
Accounts payable		(686,136)	839,932
Accounts payable - related parties		(972)	4,928
Construction contracts payable		183,094	240,832
Other payables		4,530	4,421
Advance receipts		56,191	19,840
Other current liabilities, others		12,408	(9,758)
Other non-current liabilities		(2,358)	(1,526)
Cash inflow generated from operations		345,834	696,979
Interest received		501	750
Dividends received		12,849	7,652
Interest paid		(8,066)	(2,960)
Income tax paid		(123,653)	(71,023)
Net cash provided by operating activities		227,465	631,398

(Continued)

MARKETECH INTERNATIONAL CORP.
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2105 AND 2014
(Expressed in thousands of New Taiwan dollars)

	Notes	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale financial assets - current		$ -	$ 5,503
Increase in other receivables – related parties		-	(6,330)
Acquisition of financial assets measured at cost – non-current		(21,259)	-
Proceeds from disposal of financial assets measured at cost – non-current		271	-
Proceeds from capital reduction of financial assets measured at cost – non-current		12,689	497
Acquisition of investments accounted for using equity method – subsidiaries		(240,835)	(204,405)
Acquisition of investments accounted for using equity method – non-subsidiaries		(42,000)	(4,915)
Acquisition of property, plant and equipment	6(9)	(28,297)	(33,849)
Proceeds from disposal of property, plant and equipment		349	1,644
Acquisition of intangible assets		(8,068)	(15,203)
Decrease (increase) in refundable deposits		308	(10,753)
Increase in prepayments for investments	6(8)	(24,548)	-
Net cash used in investing activities		(351,390)	(267,811)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		490,000	-
Decrease in guarantee deposits received		-	(86)
Proceeds from exercise of employee stock options		-	208
Cash dividends paid	6(16)	(330,140)	(181,562)
Net cash provided by (used in) financing activities		159,860	(181,440)
Increase in cash and cash equivalents		35,935	182,147
Cash and cash equivalents at beginning of year	6(1)	634,883	452,736
Cash and cash equivalents at end of year	6(1)	$ 670,818	$ 634,883

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

MARKETECH INTERNATIONAL CORP.
NOTES TO SEPARATE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

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.

THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE SEPARATE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

The separate financial statements were approved and authorized for issuance by the Board of Directors on February 22, 2016.

APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the Taiwan Stock Exchange or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (excluding IFRS 9, 'Financial instruments') as endorsed by the Financial Supervisory Commission and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" effective January 1, 2015 (collectively referred herein as the "2013 version of IFRSs") in preparing the separate financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 1, 'Presentation of financial statements'

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

B. IFRS 10, 'Consolidated financial statements'

The standard replaces the requirements relating to consolidated financial statements in IAS 27, 'Consolidated and separate financial statements' and IAS 27 therefore is renamed 'Separate financial statements'; the standard also supersedes requirements in SIC-12, 'Consolidation- special purpose entities'. The standard defines the principle of control that an investor controls an investee if and only if the investor has all three elements of control. The Company changes the definition of control in accordance with the standard.

C. IFRS 12, 'Disclosure of interests in other entities'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Company will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

D. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. Also, the standard requires disclosures about fair value measurements. Based on the Company assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Company will disclose additional information about fair value measurements accordingly.

E. IAS 19 (revised), 'Employee benefits'

The revised standard makes amendments that net interest amount, calculated by applying the discount rate to the net defined benefit asset or liability, replaces the finance charge and expected return on plan assets. The revised standard eliminates the accounting policy choice that the actuarial gains and losses could be recognised based on corridor approach or recognised in profit or loss. The revised standard requires that the actuarial gains and losses can only be recognised immediately in other comprehensive income when incurred. Past service cost will be recognised immediately in the period incurred and will no longer be amortised using straight-line basis over the average period until the benefits become vested. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs, rather than when the entity is demonstrably committed to a termination. Additional disclosures are required for defined benefit plans.

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

None.

IFRSs issued by IASB but not yet endorsed by the FSC

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

New, Revised or Amended Standards and Interpretations	Effective Date Issued by International Accounting Standards Board (Note 1)
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment Entities: Applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, Leaders	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014 (Note 2)
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016 (Note 3)

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

Note 1: The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Note 2: The amendment prospectively applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendments apply prospectively to business combinations for which the acquisition date is on or after July 1, 2014; the amendment of IFRS 13 is effective when the amendment is issued; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the separate 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 separate financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis of preparation

A. Except for the following items, the separate 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.

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 separate 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.

<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 of undertaking construction are classified as a current and non-current based on operating cycle.

<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.

<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.

<u>Notes and accounts receivable</u>

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.

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.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

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.

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'.

Investments accounted for using equity method / subsidiaries, associates and joint ventures

A. Investments in subsidiaries

(a) Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(b) Unrealised profit (loss) occurred from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

(c) The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company’s share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

(d) If changes in shareholdings in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.

(e) When the Company loses its control in a subsidiary, the Company revalues the remaining investment in the prior subsidiary at fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Investments in associates

(a) Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

(b) The Company’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

(c) When changes in an associate’s equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Company’s ownership percentage of the associate, the Company recognises change in ownership interests in the associate in ‘capital surplus’ in proportion to its ownership.

(d) Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

(e) In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

(f) Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

(g) When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(h) When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

C. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the separate financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared for consolidation. Owners' equity in the separate financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared for consolidation.

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

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.

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.

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.

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.

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.

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.

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.

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 (bonuses) and directors' and supervisors' remuneration

Employees' compensation (bonuses) 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.

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.

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.

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.

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.

Revenue recognition

A. Construction revenue

Details of construction revenue are provided in Note 4(11).

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.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these separate 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:

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

None.

(3) 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 examines and corrects 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.

DETAILS OF SIGNIFICANT ACCOUNTS

(4) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash on hand	$ 8,762	$ 4,201
Checking accounts and demand deposits	662,056	630,682
Total	$ 670,818	$ 634,883

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.

Financial assets at fair value through profit or loss – current

	December 31, 2015	December 31, 2014
Current items:		
Financial assets held for trading-listed stocks	$ 7,592	$ 14,192
Valuation adjustment of financial assets held for trading	(1,873)	(2,496)
Total	$ 5,719	$ 11,696

A. The Company recognised net gain of $863 and $3,822 on financial assets held for trading for the years ended December 31, 2015 and 2014, respectively.

B. The Company has no financial assets at fair value through profit or loss pledged to others.

Notes receivable

	December 31, 2015	December 31, 2014
Notes receivable	$ 64,660	$ 19,109
Less: allowance for bad debts	(1,225)	-
Total	$ 63,435	$ 19,109

Accounts receivable

	December 31, 2015	December 31, 2014
Accounts receivable	$ 2,133,007	$ 2,244,002
Less: allowance for bad debts	(182,878)	(171,735)
Total	$ 1,950,129	$ 2,072,267

The Company does not hold any collateral as security.

Inventories

	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

	December 31, 2014		
	Cost	Allowance for valuation loss and loss on obsolete and slow-moving inventories	Book value
Materials	$ 298,419	($ 11,490)	$ 286,929
Merchandise inventory	236,487	(31,259)	205,228
Raw materials	327,596	(12,128)	315,468
Supplies	19,735	(1,461)	18,274
Work in process	333,923	(4,452)	329,471
Semi-finished goods and finished goods	101,178	(5,210)	95,968
Total	$ 1,317,338	($ 66,000)	$ 1,251,338

Relevant expenses of inventories recognised as operating costs for the years ended December 31, 2015 and 2014 are as follows:

	Years ended December 31, 2015	Years ended December 31, 2014
Construction cost	$ 6,749,279	$ 5,695,248
Cost of sales	3,640,648	3,016,823
Other operating cost	611,774	441,025
Valuation loss and loss on market value decline and obsolete and slow-moving inventories gains on reversal (Note)	(5,000)	(9,000)
Total	$ 10,996,701	$ 9,144,096

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

The Company has no inventories pledged to others.

Construction contracts receivable / payable

	December 31, 2015	December 31, 2014
Aggregate costs incurred plus recognised profits (less recognised losses)	$ 14,622,032	$ 10,753,809
Less: progress billings	(14,107,981)	(9,912,426)
Net balance sheet position for construction in progress	$ 514,051	$ 841,383
Presented as:		
Receivables from customers on construction contracts	$ 1,613,903	$ 1,758,141
Payables to customers on construction contracts	(1,099,852)	(916,758)
	$ 514,051	$ 841,383
Retentions relating to construction contracts	$ 40,509	$ 33,919
Advances received before the related construction work is performed	$ -	$ -

Financial assets at cost - non-current

	December 31, 2015	December 31, 2014
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
Calitech Co., Ltd.	38,563	38,675
Civil Tech Pte. Ltd.	19,500	19,500
VEEV Interactive Pte. Ltd.	15,243	25,243
ProbeLeader Co., Ltd.	14,490	14,490
H&D Venture Capital Investment Corp.	12,800	20,000
IP Fund Six Co., Ltd.	10,000	10,000
Innorich Venture Capital Corp.	10,000	-
H&H Venture Capital Investment Corp.	6,840	12,000
Others (companies individually not exceeding $10,000)	31,588	26,327
Total	$ 285,816	$ 293,027

A. According to the Company's investment purpose, the abovementioned stocks held by the Company shall be classified as 'available-for-sale financial assets'. However, as the stocks are not traded in an active market, and no sufficient industry information of companies similar to the abovementioned companies can be obtained, the fair value of the stocks cannot be measured reliably. Accordingly, the Company classified those stocks as 'financial assets at cost – non-current'.

B. The ending balances of VEEV Interactive Pte. Ltd. for the years ended December 31, 2015 and 2014 were assessed to decline dramatically and would be lower than the original investment cost. Therefore, impairment loss of $10,000 and $3,000 was recognised on equity investment, respectively.

C. The ending balances of SOPOWER Technology Corp. for the years ended December 31, 2015 and 2014 were assessed to decline significantly and would be lower than the original investment cost. Therefore, impairment loss of $4,500 and $15,000 was recognised on equity investment, respectively.

D. The Company has no financial assets measured at cost pledged to others.

Investments accounted for using equity method / prepayments for long – term investments

	December 31,			
	2015		2014	
	Carrying amount	% interest held	Carrying amount	% interest held
Subsidiaries:				
Market Go Profits Ltd.	$ 1,310,110	100%	$ 1,301,288	100%
Marketech Integrated Manufacturing Company Limited	53,107	100%	-	-
Headquarter International Ltd.	43,123	100%	41,483	100%
MIC-Tech Viet Nam Co., Ltd.	41,942	100%	41,354	100%
Tiger United Finance Ltd.	41,743	100%	40,578	100%
eZoom Information, Inc.	25,270	100%	8,880	100%
Marketech International Sdn. Bhd.	20,770	34%	-	-
Marketech Integrated Pte. Ltd.	18,792	100%	42,955	100%
Hoa Phong Marketech Co., Ltd.	14,879	100%	19,241	100%
Marketech Engineering Pte. Ltd.	6,404	100%	7,717	100%
MIC-Tech Global Corp.	5,686	100%	7,102	100%
Associates:				
Solmark Advanced Materials Technology, Inc.	41,274	30%	-	-
Glory Technology Service Inc.	28,316	40%	29,082	40%
MIC Techno Co., Ltd.	1,882	20%	2,069	20%
True Victor International Limited	289	38.57%	315	38.57%
	$ 1,653,587		$ 1,542,064	
Prepayments for long-term investments (shown as 'other non-current assets')				
Marketech International Sdn. Bhd.	$ 24,548			

A. Subsidiaries

(a) Details of the Company's subsidiaries are provided in Note 4(3) of the Company's 2015 consolidated financial statements.

(b) The Company originally held 40% share capital of Hoa Phong Marketech Co., Ltd. (Hoa Phong MIC). The stockholders who held the remaining 60% of share capital surrendered their shares in August 2014 and registered the change in October 2014. As the Company holds all voting rights in Hoa Phong MIC, it is included in the consolidated entities.

B. Associates

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

	Years ended December 31,	
	2015	2014
Profit for the period from continuing operations	$ 3,835	$ 5,292
Other comprehensive income - net of tax	27	70
Total comprehensive income	$ 3,862	$ 5,362

Property, plant and equipment

	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, 2015						
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

	Land	Buildings	Machinery and equipment	Office equipment	Others	Total
At January 1, 2014						
Cost	$ 205,438	$ 1,386,164	$ 374,338	$ 103,478	$ 13,312	$ 2,082,730
Accumulated depreciation	-	(479,021)	(299,719)	(81,836)	(8,626)	(869,202)
Book value	$ 205,438	$ 907,143	$ 74,619	$ 21,642	$ 4,686	$ 1,213,528
Year ended December 31, 2014						
Opening net book amount	$ 205,438	$ 907,143	$ 74,619	$ 21,642	$ 4,686	$ 1,213,528
Additions	-	3,364	11,829	9,009	9,647	33,849
Disposals	-	-	(1,171)	(47)	-	(1,218)
Depreciation	-	(49,834)	(17,695)	(9,671)	(111)	(77,311)
Closing net book amount	$ 205,438	$ 860,673	$ 67,582	$ 20,933	$ 14,222	$ 1,168,848
At December 31, 2014						
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

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.

Short-term borrowings

	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowing	$ 490,000	1.05%~1.1%	None

	December 31, 2014	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowing	$ -	-	None

Other payables

	December 31, 2015	December 31, 2014
Salaries and bonus payable	$ 207,168	$ 206,595
Accrued employees' compensation (bonuses) and directors' and supervisors' remuneration	46,197	38,221
Others	48,301	52,225
Total	$ 301,666	$ 297,041

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,	
	2015	2014
Present value of defined benefit obligations	$ 242,770	$ 221,827
Fair value of plan assets	(112,180)	(106,710)
Net defined benefit liability	$ 130,590	$ 115,117

(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, 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)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2014			
Balance at January 1	($ 225,998)	$ 100,089	($ 125,909)
Current service cost	(1,402)	-	(1,402)
Interest (expense) income	(4,513)	1,800	(2,713)
Past service cost	141	-	141
Settlement profit (loss)	1,258	(1,205)	53
	(230,514)	100,684	(129,830)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	580	580
Change in demographic assumptions	(7,744)	-	(7,744)
Change in financial assumptions	16,440	-	16,440
Experience adjustments	(9)	-	(9)
	8,687	580	9,267
Pension fund contribution	-	5,446	5,446
Balance at December 31	($ 221,827)	$ 106,710	($ 115,117)

(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 earning is less than aforementioned rates, government shall make payment for the deficit after 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 constitution of fair value of plan assets as of December 31, 2015 and 2014 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,	
	2015	2014
Discount rate	1.50%	2.00%
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, 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 calculate 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, 2016 amounts to $5,812.

(g) As of December 31, 2015, the weighted average duration of the defined benefit retirement plan is 14 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, 2015 and 2014 were $33,316 and $32,135, respectively.

Share-based payment

A. For the years ended December 31, 2015 and 2014, 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	2008.6.13	130	6 years	2~4 years’ service
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,			
	2015		2014	
	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	-	$ -	130	$ 16.00
Options granted	3,956	19.60	-	-
Options exercised	-	-	(13)	16.00
Options forfeited	-	-	(117)	16.00
Options outstanding at end of the period	3,956	19.60	-	(Note)
Options exercisable at end of the period	-		-	(Note)
Options approved but not yet issued at end of the period	44		-	

Note: The Company's compensatory stock options with the grant date on June 13, 2008 were all expired on June 12, 2014.

C. The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2014 was $21.95 (in dollars).

D. The expiry date and exercise price of stock options outstanding at balance sheet date are as follows:

		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

E. 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 va[l] per un[it]
Employee stock options	2015.9.11	$ 19.60	$ 19.60	34.91%	4.375 years	0%	0.81%	$ 5.8[3]

F. Expenses incurred on share-based payment transactions are $ 2,419 and $ 0 for the years ended December 31, 2015 and 2014, respectively.

Share capital

A. To increase the Company's working capital, the Company has exercised employees' stock options during 2014. The capital increase was approved by the Financial Supervisory Commission (FSC). The registration was completed in April 2014.

B. As of December 31, 2015, 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.

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

	Years ended December 31,	
	2015	2014
At January 1	165,069,756	165,056,756
Share-based payment	-	13,000
At December 31	165,069,756	165,069,756

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.

	Year ended December 31, 2015			
	Share premium	Employee 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

	Year ended December 31, 2014			
	Share premium	Employee stock options	Expired stock options	Total
At January 1	$ 615,925	$ 351	$ -	$ 616,276
Employee stock options exercised	78	-	-	78
Employee stock options that were past due and not exercised have been transferred and expired options have been recognised	-	(351)	351	-
At December 31	$ 616,003	$ -	$ 351	$ 616,354

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 2014 and 2013 earnings appropriation resolved by the stockholders on May 28, 2015 and June 12, 2014, respectively are as follows:

	2014		2013	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 38,454	$ -	$ 22,261	$ -
Cash dividends	330,140	2.0	181,562	1.1
Total	$ 368,594		$ 203,823	

The abovementioned earnings distribution of 2014 and 2013 were the same as the amounts proposed by the Board of Directors on February 24, 2015, March 7, 2014 and April 9, 2014, respectively.

Information about the earnings appropriation for 2014 and 2013 by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(b) Details of 2015 earnings appropriation proposed by the Board of Directors on February 22, 2016 are as follows:

	2015	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 45,872	$ -
Cash dividends	330,140	2.0
Total	$ 376,012	

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 2015 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 (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(19).

Operating revenue

	Years ended December 31,	
	2015	2014
Construction revenue	$ 7,148,457	$ 6,086,736
Sales revenue	4,299,479	3,509,061
Other operating revenue	1,034,526	837,166
Total	$ 12,482,462	$ 10,432,963

Other gains and losses

	Years ended December 31,	
	2015	2014
Net gain on financial assets at fair value through profit or loss	$ 863	$ 3,822
Loss on disposal of investments	(681)	(4,012)
Impairment loss on financial assets	(14,829)	(23,234)
Exchange gain	43,048	37,760
Other gains	269	426
Total	$ 28,670	$ 14,762

Employee benefit expense, depreciation and amortisation

A. Employee benefit expense, depreciation and amortisation

	Year ended December 31, 2015		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 273,453	$ 474,400	$ 747,853
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	18,587	30,923
Depreciation	46,409	24,257	70,666
Amortisation	4,521	5,751	10,272

	Year ended December 31, 2014		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Wages and salaries	$ 242,409	$ 459,312	$ 701,721
Labour and health insurance fees	22,955	32,321	55,276
Pension costs	13,948	22,108	36,056
Other employee benefit expense	8,327	12,994	21,321
Depreciation	51,356	25,955	77,311
Amortisation	4,258	7,573	11,831

Note: As of December 31, 2015 and 2014, the Company had 729 and 692 employees, respectively.

B. Employees' compensation (bonuses) and directors' and supervisors' remuneration

(a) According to the Articles of Incorporation of the Company, when distributing earnings, 1%~15% shall be appropriated as employees' bonus and 1% shall be appropriated as directors' and supervisors' remuneration. However, in accordance with the revised Articles 235, 240 and newly added Article 235-1 of the Company Act, effective May 20, 2015, dividend and bonus (earnings distribution) are paid only for shareholders. Earnings are not distributed to employees. The Articles of Incorporation provides that profits for the year shall be distributed as compensation to employees at a certain ratio.

Due to the procedure restriction to revise the Articles of Incorporation, the procedure of appropriation of remuneration to directors and supervisors and compensation to employees was approved by the Board of Directors on August 3, 2015 but yet to be resolved by the shareholders. If the Company has any profit for the current year, the Company shall first set aside 1% as directors' and supervisors' remuneration and then 1%~15% as employees' compensation in accordance with the Company Act. If a company has accumulated deficit, earnings shall be retained to cover losses. Therefore, the Company accrued the employees' compensation based on the current Articles of Incorporation which approved by the Board of Directors but not yet resolved by stockholders. The Company expects to revise the Company's Articles of Incorporation in 2016 based on the amended Company Act.

(b) For the year ended December 31, 2015, employees' compensation and directors' and supervisors' remuneration were accrued based on the profit before tax of current year (6.5% and 1% for employees and directors/supervisors, respectively). Accrued employees' compensation and directors' and supervisors' remuneration were recognised in salary expenses.

(c) For the year ended December 31, 2014, employees' bonuses and directors' and supervisors' remuneration were accrued based on the net income of current year and the percentage specified in the Articles of Incorporation of the Company (10% and 1% for employees and directors/supervisors, respectively). Accrued employees' bonuses and directors' and supervisors' remuneration were recognised in salary expenses. If the amount resolved by the stockholders has significant change after the balance sheet date, adjustments will be made in the statement of comprehensive income of current year.

(d) For the years ended December 31, 2015 and 2014, employees' compensation (bonuses) and directors' and supervisors' remuneration are accrued as follows:

	Years ended December 31,	
	2015	2014
Employees' compensation (bonus)	$ 40,000	$ 34,715
Directors' and supervisors' remuneration	6,197	3,506
Total	$ 46,197	$ 38,221

The difference between employees' bonuses of $34,715 and directors' and supervisors' remuneration of $3,461 as resolved by the stockholders in 2014 and the amount recognised in the 2014 financial statements by $45 had been adjusted in the 2015 statement of comprehensive income.

The employees' compensation and directors' and supervisors' remuneration of 2015 resolved by the Board of Directors on February 22, 2016 were $40,000 and $6,197, respectively. Where the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences are adjusted in the profit or loss of 2016.

Information about employees' compensation (bonuses) and directors' and supervisors' remuneration will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2015	Years ended December 31, 2014
Current tax		
Current tax on profits for the period	$ 124,467	$ 97,459
Additional 10% tax on unappropriated earnings	2,364	3,999
Perior year income tax (over) underestimate	1,344	(2,031)
Total current tax	128,175	99,427
Deferred tax		
Origination and reversal of temporary differences	(13,382)	(19,134)
Income tax expense	$ 114,793	$ 80,293

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31, 2015	Years ended December 31, 2014
Currency translation differences of foreign operations	$ 6,574	($ 9,686)
Remeasurements of defined benefit obligations	3,031	(1,576)
Total	$ 9,605	($ 11,262)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2015	2014
Tax calculated based on profit before tax and statutory tax rate	$ 97,498	$ 79,532
Effect of items disallowed by tax regulation	13,587	(1,207)
Additional 10% tax on unappropriated earnings	2,364	3,999
Prior year income tax (over) underestimation	1,344	(2,031)
Income tax expenses	$ 114,793	$ 80,293

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, 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 on financial assets	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

	Year ended December 31, 2014			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Bad debt expense	$ 26,152	$ -	$ -	$ 26,152
Valuation loss and loss for market value decline and obsolete and slow-moving inventories	12,750	(1,530)	-	11,220
Defined benefit obligation	21,405	(259)	(1,576)	19,570
Impairment loss on financial assets	4,420	3,400	-	7,820
Unused compensated absences payable	9,204	(1,426)	-	7,778
Unrealised loss on investments	10,130	18,439	-	28,569
Subtotal	84,061	18,624	(1,576)	101,109
－Deferred tax liabilities:				
Unrealised exchange gain	(42)	(2,895)	-	(2,937)
Unrealised construction gain	(16,401)	3,405	-	(12,996)
Exchange differences on translation	(21,084)	-	(9,686)	(30,770)
Subtotal	(37,527)	510	(9,686)	(46,703)
Total	$ 46,534	$ 19,134	($ 11,262)	$ 54,406

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

E. Unappropriated retained earnings:

	December 31, 2015	December 31, 2014
Earnings generated in and before 1997	$ -	$ -
Earnings generated in and after 1998	1,542,603	1,467,273
	$ 1,542,603	$ 1,467,273

F. As of December 31, 2015 and 2014, the balance of the imputation tax credit account was $354,821 and $324,023, respectively. The creditable tax rate was 27.15% for 2014 and is estimated to be 27.83% for 2015.

Earnings per share

	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

	Year ended December 31, 2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit	$ 384,545	165,066	$ 2.33
Diluted earnings per share			
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonuses		1,928	
Profit plus assumed conversion of all dilutive potential ordinary shares	$ 384,545	166,994	$ 2.30

Operating leases

Details are provided in Note 9(1).

RELATED PARTY TRANSACTIONS

(5) Significant related party transactions and balances

A. Sales of goods and services

	Years ended December 31,	
	2015	2014
Sales of goods		
Entities controlled by key management or entities with significant influence	$ 72,275	$ 41,882
Subsidiaries	28,683	41,878
Total	$ 100,958	$ 83,760

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,	
	2015	2014
Purchases of goods		
Entities controlled by key management or entities with significant influence	$ 19,766	$ 12,358
Subsidiaries	19,569	291
Total	$ 39,335	$ 12,649

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,	
	2015	2014
Outsourcing construction costs		
Entities controlled by key management or entities with significant influence	$ 24,446	$ 60,102
Subsidiaries	71	1,054
Total	$ 24,517	$ 61,156

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, 2015	December 31, 2014
Subsidiaries	$ 11,630	$ 33,232
Entities controlled by key management or entities with significant influence	11,179	3,457
Subtotal	22,809	36,689
Less: allowance for bad debts	(335)	(68)
Total	$ 22,474	$ 36,621

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, 2015	December 31, 2014
Entities controlled by key management or entities with significant influence	$ 15,810	$ 19,169
Subsidiaries	4,331	1,944
Total	$ 20,141	$ 21,113

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

Construction contracts receivable

	December 31, 2015	December 31, 2014
Subsidiaries	$ 7,618	$ -
Associates	7,044	16,267
Entities controlled by key management or entities with significant influence	6,483	6,456
Total	$ 21,145	$ 22,723

F. Property transactions

On December 31, 2015 and 2014, the Company has acquired computer equipment and related software from entities controlled by key management and the acquisition price was $15,816 and $13,643 (recorded as 'property, plant and equipment' and 'intangible assets'), respectively.

G. Operating expense

The fee of information maintenance service in 2015 and 2014 allocated to subsidiaries by the Company amounted to $32,659 and $28,966, respectively.

H. Financing

Financing to related parties in 2014 is as follows:

	Year ended December 31, 2014			
	Maximum balance	Ending balance	Interest rate	Interest income
Subsidiaries	$ 30,420	$ 6,330	4.896%	$ 394
Entities controlled by key management or entities with significant influence	$ 19,600	$ -	4.896%	$ 108

The Company's financing to entities controlled by key management or entities with significant influence mainly refers to financing to SOPOWER Technology Corp. This financing represents accounts receivable arising from sales of goods. The amount exceeding normal credit limit to third parties was transferred to other receivables and treated as loans to others. As of December 31, 2014, the receivables were fully collected.

I. Endorsements and guarantees

(a) As of December 31, 2015 and 2014, the balances of endorsements and guarantees provided to subsidiaries by the Company are as follows:

	December 31,	
	2015	2014
Subsidiaries	$ 1,995,077	$ 1,687,599

(b) The revenue (recorded as 'other receivables' and 'other income') recognised from the abovementioned endorsements and guarantees are as follows:

	Years ended December 31,			
	2015		2014	
	Other receivables	Other income	Other receivables	Other income
Subsidiaries	$ 9,876	$ 21,400	$ 5,083	$ 14,553

(6) Key management compensation

	Years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	$ 51,132	$ 47,325

PLEDGED ASSETS

Details of the book value of the Group's assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2015	December 31, 2014	Purpose
Refundable deposits (recorded as 'other current assets')	$ 18,195	$ 25,407	Bid bond and performance guarantee

SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Commitments

(7) Operating leases 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 Group recognised rental costs and expenses of $64,856 and $58,440 for these leases in profit or loss for the years ended December 31, 2015 and 2014, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2015	December 31, 2014
Not later than one year	$ 26,791	$ 25,985
Later than one year but not later than five years	49,651	34,730
Later than five years	27,880	36,413
Total	$ 104,322	$ 97,128

(8) As of December 31, 2015, the notes and letters of guarantee used for construction performance and custom security amounted to $1,301,186.

SIGNIFICANT DISASTER LOSS

None.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(19) E(b).

OTHERS

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.

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 (including related parties), 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')) 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, 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	-

	December 31, 2014					
				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	$ 22,813	31.65	$ 722,029	1%	$ 7,220	$ -
EUR：NTD	3,242	38.47	124,710	1%	1,247	-
JPY：NTD	291,488	0.2646	77,128	1%	771	-
Investments accounted for using equity method						
USD:NTD	43,961	31.65	1,391,381	1%	13,914	-
VND:NTD	42,394,619	0.0014	60,624	1%	606	-
SGD:NTD	1,794	23.94	42,955	1%	430	-
Financial liabilities						
Monetary items						
USD：NTD	$ 5,213	31.650	$ 164,981	1%	$ 1,650	$ -
JPY：NTD	173,768	0.2646	45,979	1%	460	-

- 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, 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)

	Year ended December 31, 2014		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD：NTD	$ -	31.65	$ 21,678
JPY：NTD	-	0.2646	(2,686)
Financial liabilities			
Monetary items			
USD：NTD	$ -	31.65	($ 4,385)
JPY：NTD	-	0.2646	1,681

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, 2015 and 2014 would have increased/decreased by $76 and $142, as a result of gains/losses on equity securities classified as at fair value through profit or loss. For the years ended December 31, 2015 and 2014, the amount reduced from adjustments in equity and included in profit or loss was $0 and $1,512, 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.

(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, 2015	December 31, 2014
Up to 90 days	$ 653,110	$ 1,013,118

iv. Movement analysis of notes and accounts receivable (including related parties) that were impaired is as follows:

a. As of December 31, 2015 and 2014, the Company's notes and accounts receivable that were impaired amounted to $1,502,706 and $1,257,519, and allowance for bad debts was accrued as $184,438 and $171,803, respectively.

b. Movements on the Company's provision for impairment of accounts receivable are as follows:

	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

	Year ended December 31, 2014		
	Individual provision	Group provision	Total
At January 1	$ 108,240	$ 63,693	$ 171,933
Write-offs during the period	(130)	-	(130)
Transfer during the period	(7,563)	7,563	-
At December 31	$ 100,547	$ 71,256	$ 171,803

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, 2015	December 31, 2014
Type A	$ -	$ -
Type B	6,702	7,567
Type C	57,958	21,596
	$ 64,660	$ 29,163

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, 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 (including related parties)	806,991	-	-	-
Accounts payable (including related parties)	1,705,288	-	-	-
Other payables	301,666	-	-	-
Financial guarantee contract	1,517,629			

December 31, 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Notes payable (including related parties)	$ 807,648	$ -	$ -	$ -
Accounts payable (including related parties)	2,392,396	-	-	-
Other payables	297,041	-	-	-
Financial guarantee contract	1,031,854	-	-	-

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.

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, 2015 and 2014 is as follows:

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

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 11,696	$ -	$ -	$ 11,696

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.

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.

Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 5.

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.

SEGMENT INFORMATION

Not applicable.