Stock Code: XXXX

⭘⭘⭘⭘ Corp.

2016 Annual Report

***Notice to readers***

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

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http://newmops.twse.com.tw

⭘⭘ Annual Report is available at: http://www.⭘⭘⭘.com

Printed on MM DD, 2017

**Spokesperson**

Name: ⭘⭘⭘

**Headquarters, Branches and Plant**

Headquarters

Address:

Tel: 886-2- XXXXXXXX

**⭘⭘ Branch**

Address:

Tel: 886-X- XXXXXXXX

**Plant**

Address:

Tel: 886-X- XXXXXXXX

Title: Vice President

Tel: 886-2-XXXXXXXX

E-mail:

**Deputy Spokesperson**

Name: ⭘⭘⭘

Title: Senior Manager

Tel: 886-2-XXXXXXXX

E-mail:

**Stock Transfer Agent**

⭘⭘⭘

Address:

Tel: 886-2-XXXXXXXX

Website:

**Auditors**

XXX Accounting Firm

Auditors: ⭘⭘⭘, ⭘⭘⭘

Address:

Tel.: 886-2-XXXXXXXX

Website:

**Overseas Securities Exchange**

XXX Stock Exchange

Disclosed information can be found at http://www.xxxx.xx

**Corporate Website**

http://www. ⭘⭘⭘.com

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1. **Letter to Shareholders**

**Dear Shareholders,**

First of all, I would like to thank you for your continuing support throughout the year. ⭘⭘ has responded to the changing business climate by adopting an aggressive stance in strengthening our competitiveness. Total consolidated revenue for 2016 was NT$XXX, a XX% increase compared with NT$XXX in 2015. Net income increased XX% to NT$XXX, compared with 2015 net income of NT$XXX. Similarly, diluted earnings per share was up by XX% to NT$XXX, compared with NT$XXX a year earlier.

The results of our operating performance in 2016, business plan for 2017, corporate development strategy, external competitive environment, regulatory environment, and macroeconomic conditions, are illustrated as follows:

**Operating Performance in 2016**

1. Consolidated financial results

Unit: NT$ millions

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2016 | | 2015 | | Percent Change（%） |
| Net sales | XXX | 100% | XXX | 100% | XX% |
| Gross profit | XXX | XX% | XXX | XX% | XX% |
| Operating income | XXX | XX% | XXX | XX% | XX% |
| Pre-tax income | XXX | XX% | XXX | XX% | XX% |
| Net income | XXX | XX% | XXX | XX% | XX% |
| R&D expenses | XXX | XX% | XXX | XX% | XX% |
| Interest income | XXX | XX% | XXX | XX% | XX% |
| Interest expenses | XXX | XX% | XXX | XX% | XX% |

Net sales amounted to NT$XXX million and gross profit came in at NT$XXX million in 2016. Due to improved operating performance and lower costs and operating expenses compared to the year before, net income grew by more than XX% from 2015, an increase of NT$XXX million.

1. Budget implementation

According to the Company’s 2016 annual financial plan, our business successfully reached XX% and XX% of our targets in revenue and net income, respectively.

1. Profitability analysis

|  |  |  |
| --- | --- | --- |
|  | 2016 | 2015 |
| Debt to asset ratio (%) | XXX | XXX |
| Long-term capital to property, plant and equipment (%) | XXX | XXX |
| Current ratio (%) | XXX | XXX |
| Accounts receivable turnover (times) | XXX | XXX |
| Inventory turnover (times) | XXX | XXX |
| Return on assets (%) | XXX | XXX |
| Return on shareholders’ equity (%) | XXX | XXX |
| Basic after-tax EPS (NT$) | XXX | XXX |

1. Research and development status

In 2016, ⭘⭘ invested a total of NT$XX million in R&D for the ⭘⭘ products as well as the development of new products. Having successfully developed ⭘⭘ in 2015, it went into mass production in 2016. ⭘⭘ is committed to investing in long-term growth by delivering continuous innovations.

**Business Plan for 2017**

1. Business objectives

* Reinforce product innovation and R&D to maintain competitive advantage;
* Integrate resources, lower costs, raise business efficiency;
* Diversify into higher-margin and higher-growth businesses.

1. Sales forecast and sales policy

Some market survey institutes predict a 5% to 10% increase in ⭘⭘ products. ⭘⭘ has established full production capacity in ⭘⭘ in recent years, upgraded technology and earned product development certification.

The sales policy is outlined as follows in accordance with the projected sales volume of XXX tons in 2017:

* Maintain and establish an excellent brand image for the benefit of the consumer;
* Reinforce sensitivity and flexibility to sales changes in order to respond to market trends.

**Development Strategy**

The Company’s future performance is still very much dependent on an improvement in global economic growth; however, we will leverage our product portfolio, financial strength, intellectual property, human capital, and customer relationships to improve our operational efficiency. We aim to strike a balance between mid- to long-term product development and short-term market demands. Our plan is to focus resources on high-margin products, and to lower production and operating costs. Our strong portfolio of intellectual property can be leveraged to create a formidable barrier to entry for competitors.

**The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions**

* 1. External competitive environment

The ⭘⭘ industry is mature in Taiwan. Competition is intense. The diversity and homogeneity of products, controlled distribution channels, imitation of business models, pricing pressures, and quality requirements have all made the competition environment brutal. ⭘⭘ Corporation has responded to the severe competition with excellent R&D and management to fulfill consumers’ demands for variety and to differentiate ourselves from competitors through outstanding quality and a reputable brand image. We are able to negotiate with the owners of distribution channels by offering good quality and popular products; therefore, we will continue to innovate and develop products that are needed by consumers, and become the leading brand in the market.

* 1. Regulatory environment

Governments around the world are constantly adopting new tax, environmental, investment and labor regulations. ⭘⭘ stays up-to-date with changes in laws and regulations in all of our invested areas so appropriate adjustments and allocations can be made to company resources in order to respond to these environmental and legal changes.

* 1. Macroeconomic conditions

With respect to the general business environment, global economic growth remains slow. Consumer confidence continues to be fragile, dampening market demand. By continuing to develop comprehensive product technology and deepening our relationships with our customers, ⭘⭘ hopes to mitigate the adverse effects of the slowdown on overall market demand.

Finally, we will continue to establish more integrated relationships with consumers, customers, and society as a whole, with the aim of achieving higher returns for our shareholders.

Sincerely yours,

Chairman CEO & President

⭘⭘⭘ ⭘⭘⭘

1. **Company Profile**

**2.1 Date of Incorporation**: MM DD, 19XX

**2.2 Company History**

|  |  |
| --- | --- |
| Year | Milestones |
| 19XX | Founded on MM DD, 19XX with NT$XXX capital. |
| XXXX | Started operations on MM DD, 19XX. |
| XXXX | Increased capital to NT$XXX million. |
| XXXX | ⭘⭘⭘ Corporation went public. |
| XXXX | Listed on Taiwan Stock Exchange (Code-XXXX). |
| XXXX | Merged with ⭘⭘⭘ Corporation. |
| XXXX | Acquired 51% of ⭘⭘⭘ Corporation. |
| XXXX | Created a joint venture with ⭘⭘⭘ Corporation. |

1. **Corporate Governance Report**

**3.1 Organization**

**3.1.1 Organizational Chart**



**3.1.2 Major Corporate Functions**

|  |  |
| --- | --- |
| Department | Functions |
| President’s Office | Strategic planning, business planning authorization and supervision |
| Audit Office | To identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement. |
| Research & Development Division | Advanced product and technology research and development, intellectual property development and management. |
| Production Dept. | Responsible for product manufacturing and production capacity allocation. |
| Quality Control Dept. | Planning and execution of quality control systems. |
| Sales & Marketing Dept. | Responsible for corporate image planning, maintaining and enhancing external public relations, corporate marketing activities worldwide, and analyzing industry data and trends. It is also in charge of formulating and implementing corporate marketing and product plans. |
| Administration Dept. | Planning and execution of general affairs, factory affairs, and information systems. |
| Human Resource Dept. | Responsible for the planning and execution of human resource management. |
| Finance Dept. | Responsible for the summarization and supply of accounting information, management and operation of finance and investment, annual budgeting, credit control, and stocks services. |

**3.2 Directors, Supervisors and Management Team**

**3.2.1 Directors and Supervisors**

MM DD, 2017

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | Nationality/ Place of Incorporation | Name | Gender | Date Elected | Term  (Years) | Date First Elected | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee  Arrangement | | Experience（Education） | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | |
| Shares | ％ | Shares | ％ | Shares | ％ | Shares | ％ | Title | Name | Relation |
| Director | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |
| Director | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |
| Director | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |
| Director | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |
| Director | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |
| Supervisor | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |
| Supervisor | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |
| Supervisor | ⭘⭘ | ⭘⭘ | ⭘ | MM DD, YY | 3 | MM DD, YY | XX | XX | XX | XX | XX | XX | XX | XX |  |  |  |  |  |

**Major shareholders of the institutional shareholders**

MM DD, 2017

|  |  |
| --- | --- |
| Name of Institutional Shareholders | Major Shareholders |
| ⭘⭘ Corp. | ⭘⭘⭘,⭘⭘⭘,⭘⭘⭘ (XX%) |
| ⭘⭘ Co., Ltd. | ⭘⭘⭘,⭘⭘⭘,⭘⭘⭘ Co., Ltd., ⭘⭘⭘(XX%) |

**Major shareholders of the Company’s major institutional shareholders**

MM DD, 2017

|  |  |
| --- | --- |
| Name of Institutional Shareholders | Major Shareholders |
| ⭘⭘ Co., Ltd. | ⭘⭘⭘,⭘⭘⭘,⭘⭘⭘,⭘⭘⭘,⭘⭘⭘(XX%) |

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

MM DD, 2017

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Criteria  Name | Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience | | | Independence Criteria(Note) | | | | | | | | | | Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director |
| An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University | A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company | Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |
| ⭘⭘⭘ |  |  |  |  |  |  |  |  |  |  |  |  |  | X |

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

1. Not an employee of the Company or any of its affiliates.

2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

3. Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx“.

8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

9. Not been a person of any conditions defined in Article 30 of the Company Law.

10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

**3.2.2 Management Team**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | Nationality | Name | Gender | Date Effective | Shareholding | | Spouse & Minor Shareholding | | Shareholding  by Nominee  Arrangement | | Experience（Education） | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | |
|  | Shares | ％ | Shares | ％ | Shares | ％ | Title | Name | Relation |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |
| ⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘ | MM DD,YY | XXX | XX | XXX | XX | XXX | XX |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**3.2.3 Remuneration of Directors, Supervisors, President, and Vice Presidents**

**Remuneration of Directors**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | Name | Remuneration | | | | | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) | | Relevant Remuneration Received by Directors Who are Also Employees | | | | | | | | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) | | Compensation Paid to Directors from an Invested Company Other than the Company’s Subsidiary |
| Base Compensation (A) | | Severance Pay (B) | | Directors Compensation(C) | | Allowances (D) | | Salary, Bonuses, and Allowances (E) | | Severance Pay (F) | | Employee Compensation (G) | | | |
| The company | All companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements | | The company | Companies in the consolidated financial statements |
| Cash | Stock | Cash | Stock |
| ⭘⭘ | ⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XX | XX | XX | XX | XXX | XXX | XXX |
| ⭘⭘ | ⭘⭘ |
| ⭘⭘ | ⭘⭘ |
| ⭘⭘ | ⭘⭘ |
| ⭘⭘ | ⭘⭘ |
| In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services,  such as being independent contractors. | | | | | | | | | | | | | | | | | | | | | | |

Unit: NT$ thousands

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Range of Remuneration | Name of Directors | | | |
| Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements |
| Under NT$ 2,000,000 | ⭘⭘⭘ | ⭘⭘⭘ | 0 | 0 |
| NT$2,000,001 ~ NT$5,000,000 | ⭘⭘⭘,⭘⭘⭘ | ⭘⭘⭘,⭘⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$5,000,001 ~ NT$10,000,000 | ⭘⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘,⭘⭘⭘ | ⭘⭘⭘,⭘⭘⭘ |
| NT$10,000,001 ~ NT$15,000,000 | ⭘⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$15,000,001 ~ NT$30,000,000 | 0 | 0 | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$30,000,001~ NT$50,000,000 | 0 | 0 | 0 | 0 |
| NT$50,000,001 ~ NT$100,000,000 | 0 | 0 | 0 | 0 |
| Over NT$100,000,000 | 0 | 0 | 0 | 0 |
| Total | 5 | 5 | 5 | 5 |

**Remuneration of Supervisors**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | Name | Remuneration | | | | | | Ratio of Total Remuneration (A+B+C) to Net Income (%) | | Compensation Paid to Supervisors from an Invested Company Other than the Company’s Subsidiary |
| Base Compensation (A) | | Bonus to Supervisors (B) | | Allowances (C) | |
| The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements |
| ⭘⭘ | ⭘⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XXX |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |

|  |  |  |
| --- | --- | --- |
| Range of Remuneration | Name of Supervisors | |
| Total of (A+B+C) | |
| The company | Companies in the consolidated  financial statements |
| Under NT$ 2,000,000 | ⭘⭘⭘,⭘⭘⭘ | ⭘⭘⭘,⭘⭘⭘ |
| NT$2,000,001 ~ NT$5,000,000 | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$5,000,001 ~ NT$10,000,000 | 0 | 0 |
| NT$10,000,001 ~ NT$15,000,000 | 0 | 0 |
| NT$15,000,001 ~ NT$30,000,000 | 0 | 0 |
| NT$30,000,001 ~ NT$50,000,000 | 0 | 0 |
| NT$50,000,001 ~ NT$100,000,000 | 0 | 0 |
| Over NT$100,000,000 | 0 | 0 |
| Total | 3 | 3 |

**Remuneration of the President and Vice Presidents**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Title | Name | Salary(A) | | Severance Pay (B) | | Bonuses and Allowances (C) | | Employee Compensation (D) | | | | Ratio of total compensation (A+B+C+D) to net income (%) | | Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company’s Subsidiary |
| The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements | | The company | Companies in the consolidated financial statements |
| Cash | Stock | Cash | Stock |
| ⭘⭘ | ⭘⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | XXX | XX | XXX | XX | XXX | XXX | XXX |
| ⭘⭘ | ⭘⭘⭘ |

|  |  |  |
| --- | --- | --- |
| Range of Remuneration | Name of President and Vice Presidents | |
| The company | Companies in the consolidated  financial statements |
| Under NT$ 2,000,000 | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$2,000,001 ~ NT$5,000,000 | ⭘⭘⭘ | ⭘⭘⭘ |
| NT$5,000,001 ~ NT$10,000,000 | 0 | 0 |
| NT$10,000,001 ~ NT$15,000,000 | 0 | 0 |
| NT$15,000,001 ~ NT$30,000,000 | 0 | 0 |
| NT$30,000,001 ~ NT$50,000,000 | 0 | 0 |
| NT$50,000,001 ~ NT$100,000,000 | 0 | 0 |
| Over NT$100,000,000 | 0 | 0 |
| Total | 2 | 2 |

Unit: NT$ thousands

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Title | Name | Employee Compensation  - in Stock  (Fair Market Value) | Employee Compensation  - in Cash | Total | Ratio of Total Amount to Net Income (%) |
| Executive Officers | ⭘⭘ | ⭘⭘⭘ | XXX | XXX | XXX | XX |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |
| ⭘⭘ | ⭘⭘⭘ |

**3.2.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents**

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Total remuneration paid to directors, supervisors, president and vice presidents | | Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%) | |
| The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements |
| 2015 | XXX | XXX | XX％ | XX％ |
| 2016 | XXX | XXX | XX％ | XX％ |

The ratios of remuneration paid to directors, supervisors, president and vice presidents of the Company and the companies in the consolidated financial statements in the last two years, to net income were XX% and XX%, respectively, in 2015 and 2016. The reduction in the compensation percentages of the directors, supervisors, president and vice presidents resulted from the decline in 2016 earnings as compared to 2015.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company’s compensation and benefits policies, plans and programs, and the evaluation of the directors’ and executives’ compensation. Remuneration is appropriated according to the business performance of the Company in the year and the stipulated percentage in Article XX of the Articles of Incorporation, which stipulate that: "From the profit earned by the Company as shown through the annual account closing, 1%~2% shall be taken for employee compensation, and 1% taken for directors’ and supervisors’ compensation, provided that the amount of accumulated loss, if any, be first withheld.” The annual earning distribution status is submitted to the Board of Directors for discussion before being sent to the shareholders’ meeting for resolution.

The compensation to directors and other key management personnel were determined by the Remuneration Committee of the Company in accordance with the individual performance and the market trends.

The compensation is measured based on the employee’s personal achievements, contribution made to the business operation, and the market averages. It has a positive correlation with the performance of the Company's business.

**3.3 Implementation of Corporate Governance**

**3.3.1 Board of Directors**

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%)【Ｂ/Ａ】 | Remarks |
| Chairman | ⭘⭘⭘ | XX | X | XX |  |
| Director | ⭘⭘⭘ | XX | X | XX |  |
| Director | ⭘⭘⭘ | XX | X | XX |  |
|  |  |  |  |  |  |
| Independent  director | ⭘⭘⭘ | XX | X | XX |  |
| Independent  director | ⭘⭘⭘ | XX | X | XX |  |
|  |  |  |  |  |  |
| Supervisor | ⭘⭘⭘ | XX | X | XX |  |
| Supervisor | ⭘⭘⭘ | XX | X | XX |  |
|  |  |  |  |  |  |
| Other mentionable items:   1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors’ opinions and the company’s response should be specified:   (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.  (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.  2. If there are directors’ avoidance of motions in conflict of interest, the directors’ names, contents of motion, causes for avoidance and voting should be specified: None  3. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties. | | | | | |

**3.3.2 Audit Committee （or Attendance of Supervisors at Board Meetings）**

**A. Audit Committee**

A total of XX (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%)【Ｂ/Ａ】 | Remarks |
| Independent  director | ⭘⭘⭘ | XX | X | XX |  |
| Independent  director | ⭘⭘⭘ | XX | X | XX |  |
| Independent  director | ⭘⭘⭘ | XX | X | XX |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Other mentionable items:   1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company’s response to the Audit Committee’s opinion should be specified:   (1) Matters referred to in Article 14-5 of the Securities and Exchange Act.  (2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.  2. If there are independent directors’ avoidance of motions in conflict of interest, the directors’ names, contents of motion, causes for avoidance and voting should be specified: None  3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)  (1)The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well.  (2)The Company’s CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well. | | | | | |

**B. Attendance of Supervisors at Board Meetings**

A total of XX (A) meetings of the Board of Directors were held in the previous period. The attendance of supervisors was as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Title | Name | Attendance in Person (B) | Attendance Rate (%)  【Ｂ/Ａ】 | Remarks |
| Supervisor | ⭘⭘⭘ | XX | XX |  |
| Supervisor | ⭘⭘⭘ | XX | XX |  |
| Supervisor | ⭘⭘⭘ | XX | XX |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Other mentionable items:  1. Composition and responsibilities of supervisors:  (1) Communications between supervisors and the Company's employees and shareholders (e.g. communication channels and methods, etc.): The Company has set up a supervisor’s mailbox: supervisor@⭘⭘⭘.com.tw, so that employees and shareholders have adequate access to the supervisors for communications.  (2) Communications between supervisors and the Company's chief internal auditor and CPA (e.g. items, methods and results of the audits of corporate finance or operations, etc.):  A. Communications with the chief internal auditor: Supervisors hold the supervisors meeting each quarter and maintain minutes of the meetings. The directors, president and the Company's top management are then notified of important discussions and resolutions. All supervisors had attended on each occasion, and the chief internal auditor was also present at the meetings to report on audit operations and major internal auditing matters, including execution, reporting, and monitoring of the supervisors’ instructions. In addition, supervisors obtained audit reports on a monthly basis, which were submitted by the chief internal auditor.  B. Communications with the CPA: Supervisors have held supervisors examination meeting and have obtained the examined reports. There were two such meetings, on MM. DD, 2014 and MM. DD, 2014 respectively. All supervisors attended on each occasion, and the CFO, chief internal auditor and CPAs were also present at the meetings to discuss related subjects, including execution, reporting and monitoring of the supervisors’ instructions.  2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors’ meetings and the company’s response to the supervisor’s opinion should be specified: None | | | | |

**3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”**

| Evaluation Item | Implementation Status 1 | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
| --- | --- | --- | --- | --- |
| Yes | No | Abstract Illustration |
| 1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”? |  |  | The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” on  XX/XX/2015. The information has been disclosed on the Company’s website. | None |
| 1. Shareholding structure & shareholders’ rights 2. Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? 3. Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? 4. Does the company establish and execute the risk management and firewall system within its conglomerate structure? 5. Does the company establish internal rules against insiders trading with undisclosed information? |  |  | In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders’ suggestions, doubts, disputes and litigation.  The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.  Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the “Criteria of Internal Control Mechanism for a Public Company”, outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries”, was followed in order to implement total risk control with respect to subsidiaries.  To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations. | None |
| 1. Composition and Responsibilities of the Board of Directors 2. Does the Board develop and implement a diversified policy for the composition of its members? 3. Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? 4. Does the company establish a standard to measure the performance of the Board, and implement it annually? 5. Does the company regularly evaluate the independence of CPAs? |  |  | Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The Board objectively chooses candidates to meet the goal of member diversification.  In order for the sound supervision and reinforcement of management, the Company established the Nomination and Risk Management Committee in addition to the Remuneration Committee and the Audit Committee. These functional committees shall be responsibilities for the Board of Directors.  The company has formulated rules and procedures for evaluating the Board’s performance and conducts it annually. The Company uses two methods to evaluate the performance of the Board.  1. Self-assessment of Board members  Board members fill in the” Self-Assessment Questionnaire for Board Members” at the end of each year. To evaluate the performance of each members effectively, the questionnaire contains the following factors:  A. Their grasp of the Company's goals and missions;  B. Their recognition of director's duties;  C. Their degree of participation in the Company's operations;  D. Their management of internal relationships and communications;  E. Their professionalism and continuing professional education;  F. Internal controls.  2. Assessment of the Board:  The Secretary Office of the Board conducts the assessment of the Board’s performance. The following aspects are taken into consideration:  A. The degree of participation in the Company's operations;  B. Improvement in the quality of decision making by the Board of Directors;  C. The composition and structure of the Board of Directors;  D. The election of the directors and their continuing professional education.  E. Internal controls.  The Company evaluates the independence of CPAs annually, ensuring that that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company. | None |
| 1. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders’ meetings)? |  |  | The company provides the name of the unit or personnel responsible for corporate governance matters and describes the role/function of the unit or personnel and material matters that have been taken care of in the most recent year. |  |
| 1. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities? |  |  | The Company provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area” section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company. | None |
| 1. Does the company appoint a professional shareholder service agency to deal with shareholder affairs? |  |  | The Company designates XXX Inc. to deal with shareholder affairs. | None |
| 1. Information Disclosure 2. Does the company have a corporate website to disclose both financial standings and the status of corporate governance? 3. Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? |  |  | The Company has set up a Chinese/English website (www.⭘⭘⭘.com.tw) to disclose information regarding the Company’s financials, business and corporate governance status.  The Company has assigned an appropriate person to handle information collection and disclosure. Contact person: ⭘⭘⭘, TEL: +886-X-XXX-XXXX  The Company has established a spokesman system. Investor conference information is disclosed on the corporate website. | None |
| 1. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?   (1) Status of employee rights and employee wellness: Please refer to the “*Employees*” section on pages XX-XX of this annual report.  (2) Status of risk management policies and risk evaluation: Please refer to the “*Risk Management*” section on pages XX-XX of this annual report.  (3) The Company has purchased D&O insurance for its directors and supervisors since year 2006.  (4) Directors’ and supervisors’ training records:   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Title | Name | Training hours | Study period | | Sponsoring Organization | Course | | From | To | | Director | ⭘⭘⭘ | 3H | 2016/MM/DD | 2016/MM/DD | Corporate Governance  Association | Corporate Governance and Risk Management | | Director | ⭘⭘⭘ | 3H | 2016/MM/DD | 2016/MM/DD | Taiwan Academy of Banking  and Finance | Board Operations and Corporate Government | | Director | ⭘⭘⭘ | 12H | 2016/MM/DD | 2016/MM/DD | Securities & Futures Institute | Board Directors and Supervisors’ Duty Under Corporate Governance | | | | | |
| 1. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures. | | | | |

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

**3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee**

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company’s compensation and benefits policies, plans and programs, and the evaluation of the directors’ and executives’ compensation.

The Chairman of the Remuneration Committee convened four regular meetings in 2016. The Remuneration Committee Charter is available on the Company’s corporate website.

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

**A. Professional Qualifications and Independence Analysis of Remuneration Committee Members**

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.

2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

3. Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

8. Not a person of any conditions defined in Article 30 of the Company Law.

**B.** **Attendance of Members at Remuneration Committee Meetings**

There are XX members in the Remuneration Committee. A total of XX (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Title | Name | Attendance in Person(B) | By Proxy | Attendance Rate (%)【Ｂ/Ａ】 | Remarks |
| Convener | ⭘⭘⭘ | XX | X | XX |  |
| Committee  Member | ⭘⭘⭘ | XX | X | XX |  |
| Committee  Member | ⭘⭘⭘ | XX | X | XX |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Other mentionable items:  1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company’s response to the remuneration committee’s opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.  2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members’ opinions and the response to members’ opinion should be specified: None. | | | | | |

**3.3.5 Corporate Social Responsibility**

| Evaluation Item | Implementation Status 1 | | | Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
| --- | --- | --- | --- | --- |
| Yes | No | Abstract Explanation 2 |
| 1. Corporate Governance Implementation  (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation? |  |  | To ensure that OOO and all employees actively adhere to environmental protection and CSR policies, we have established a CSER Code of Conduct based on SA8000 (Social Accountability 8000) and the EICC (Electronic Industry Code of Conduct). The CSER Code of Conduct encompasses all subsidiaries of OOO (taking OOO as the chief stockholder and participant in actual operations). The categories of the CSER Code of Conduct comprise all relevant matters, including trade, investment, contracting, supply, sales development, and all other matters and employment relationship. The content of the CSER Code of Conduct summarizes our pledges concerning all CSER issues, including business ethics, labor relations, environmental protection, health and safety, management systems, corporate governance, and community participation. | None |
| (2) Does the company provide educational training on corporate social responsibility on a regular basis? |  |  | The Company carries out regular trainings sessions and propaganda on corporate social responsibility with its employees every year. For new employees, training on personnel rules, management systems, business ethics, morals, and all other CSR-related subjects are carried out on their first working day to clarify their due responsibilities and obligations. |  |
| (3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board? |  |  | Under the hands-on leadership of our company Chairman AAA and first-line managers, we have established the OOO Corporate Social and Environmental Responsibility Committee (CSER Committee) and designated dedicated personnel, striven to internalize CSR as part of OOO employees' DNA, and embraced international standards in an effort to become model international corporate citizens.  The OOO CSER Committee is the group's highest guidance unit; it is chaired by Chairman AAA, and has members comprising executive managers of the OOO Group. The committee is responsible for determining annual CSR economic, environmental, and social involvement goals, regularly supervising implementation, and directing OOO Technology's short-/ mid-/ long-term realization of goals and visions. |  |
| (4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system? |  |  | For 2016, the salary remuneration policy has been adopted by the General Meeting of Shareholders. In order to focus our employees on improving their performance and enhancing the value of OOO Group, the objective of the remuneration policy is to ensure that a competitive remuneration package is maintained and benchmarked with others. In addition, OOO Group recently established a new reward and disciplinary system based on the employee performance appraisal system which includes our corporate social responsibility policy as one of the most important criteria for evaluation. |  |
| 2. Sustainable Environment Development  (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? |  |  | Power-Saving Goal  According to the Company’s operating model, the vast majority of our carbon dioxide emissions come from power use. Because of this, we are actively promoting various energy-saving and power-saving programs. Taking three years as one program period, the aim is to reduce our power usage by roughly XX% by 2018 (taking 2015 as the base year).  Water Saving Goal  Taking 2015 as the base year, the Company aims to reduce water consumption by XX% per unit product by 2018. Facing a changing global environment and increasing water shortages, the need to conserve water is the next most important environmental imperative after energy saving and carbon dioxide reduction. Based on the need to protect water resources and maintain sustainable operations, planning a water-saving program has already been initiated. By improving processes, conserving water, and using water, active steps have been taken to reduce waste water from our production processes. Our water-saving programs cover a three-year period. Based on water consumption per unit product in 2015, the plan is to reduce water consumption by at least XX% per unit product by 2018.  Wastewater and Rainwater Reuse  (a) The Company’s Thai plant has a waste water treatment system, and employs activated carbon to recycle waste water. Using an estimated flow value (10m³/hr), the plant can recycle an average of XXX m³ per year.  (b) A rain water has been installed at the Company’s headquarters building. Rainwater is used for landscaping plants.  (c) We rely on a clear-cut process and design for making manufacturing improvements that integrate and implement waste reduction and resource recycling. Compared with 2015, in 2016 the Company’s general industrial waste fell by XX%, hazardous industrial waste was reduced by XX%, and recyclable waste output rose by XX%. Meanwhile, the process solder dross output fell by XX%. | None |
| (2) Does the company establish proper environmental management systems based on the characteristics of their industries? |  |  | Environmental, Safety, and Health (ESH) and Hazardous Substance Management System Certificates  All OOO manufacturing facilities in Taiwan, China, and the United States have received ISO 14001 certifications for environmental management systems, OHSAS 18001 for occupational safety and health, and QC 080000 certification for hazardous substance management systems. New facilities will be certified as well. In line with ISO 14001 and OHSAS 18001’s concept of continuous improvement, OOO diligently carries out its responsibilities of pollution prevention, energy and resource conservation, waste reduction, accident prevention, and the establishment of a safe and comfortable work place. By practising QC 080000 for hazardous substance management, OOO ensures its processes and products comply with the requirements of the Stockholm Convention. OOO continues to identify ESH risks, drafting feasible control measures and carrying them out to reduce ESH and hazardous substance risks.  In 2016, all of the Company’s fabs in Taiwan were certified by the Taiwan Occupational Safety and Health Management System (TOSHMS), which is not only valid for Taiwan but also compatible with global safety and health management systems. |  |
| (3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction? |  |  | CO2 Emission Reduction Goal  In keeping with global environmental trends, the Company is responding to calls for the reduction of greenhouse gas emissions and upholding the emissions reduction goals set for industrialized countries in the Kyoto Protocol by adopting target management and holding ourselves to high standards. Taking 2015 as the base year, OOO will continue with its energy saving campaign until the goal of reducing energy consumption and CO2 emissions by XX% in 2018 is reached.  We have begun systematically performing greenhouse gas inventories in line with the International Standards Organization's (ISO's) greenhouse gas control guide lines and expected future greenhouse gas reduction requirements. Internal documentation and verification procedures have also been established that will enable the implementation of effective reduction programs in the future.  The ISO-14064 standard is used to perform regular annual greenhouse gas emission inventories, and reproduce greenhouse gas reports containing summaries of the Company’s greenhouse gas emissions for the previous year. In 2012, we issued our first greenhouse gas report (for 2011). The most recent report was for 2016, and contained inventories of XX operating locations or factories. Our greenhouse gas emissions for 2016 totaled XXX tons, which represented a reduction of XXX tons of greenhouse gases compared with the XXX tons emitted from XX operating locations or factories in XX. The Company passed the ISO14064-1 (greenhouse gas inventory) certification issued by SGS Taiwan in June 2015, and received a verification statement with a reasonable grade. Our inventory results are posted on our company website and on the Industrial Development Bureau's greenhouse gas information center website. Furthermore, since 2013 the Company has participated in the Carbon Disclosure Project at our customers' invitation . Greenhouse gas data for the previous year is posted on the project website; this information can be used by all relevant stakeholder groups. |  |
| 3. Preserving Public Welfare  (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? |  |  | Comply with Relevant Regulations  OOO not only complies with local regulations but also upholds the internationally-recognized human rights of workers and respects the United Nations Universal Declaration on Human Rights, and the International Labor Organization’s fundamental conventions on core labor standards. OOO hires all employees equally based on his or her job qualifications regardless of gender, religion, race, nationality or political affiliation.  Human Resource Policies and Measures  The following is an overview of relevant human resource policies and measures:  (a)Labor Insurance, National Health Insurance, and group insurance coverage from the first day of work.  (b) The Company has specific Employee Retirement Guidelines. In February 1998, we established a Labor Pension Supervision Committee approved by the Taipei City Government. Since May 1998, we have been allocating a retirement pension equivalent to 2% of employees’ monthly salaries on a monthly basis. In 2005, the new Labor Pension Act came into force. Consequently, OOO now deposits 6% of each employee's monthly salary into a dedicated account at the Labor Insurance Bureau. When employees reach the age of 60, they may collect their pension from their personal retirement fund account. | None |
| (2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions? |  |  | OOO Group offers an Employee Relations Hotline that provides a channel for employees to express their opinions regarding their work and the overall work environment. The employee relations team ensures all cases are handled with care under the supervision of the first-line managers. |  |
| (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis? |  |  | Labor Health and Safety Committee  We have established a Labor Health and Safety Committee consisting of the heads of relevant company units and at least one-third labor representatives. Our Labor Health and Safety Committee meets every three months to review our employee health and safety rules and regulations, and to discuss self-inspection implementation, the work group’s reports, and various health and safety matters. Committee members may submit interim proposals concerning health and safety, and the committee follows up on improvement measures.  Health and Safety Education and Emergency Response Training  We also hold regular fire/flood protection exercise and first aid training classes for our employees in order to boost our disaster response and relief skills. In 2016 for example, our plants organized occupational health and safety training, emergency response and firefighting training, and external specialist training for new and current employees. Over XXX people took part in nearly XXX man-hours of training to ensure personnel safety and reduce the impact of accidents.  Safety and Health Management  OOO not only conforms to regulatory requirements on safety and health but has also introduced the OHSAS 18001 occupational safety & health management system. |  |
| (4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them? |  |  | OOO Group values two-way communications and is committed to keeping the communication channels between the management level and their subordinates, as well as among peers, open and transparent. To ensure that employees’ opinions and voices are heard, and their issues are addressed effectively, impartial submission mechanisms, including quarterly labor-management communication meetings, are in place to provide timely support. Continuous efforts are made to reinforce mutual and timely employee communications, based on multiple channels and platforms, which, in turn, fosters harmonious labor relations and creates a win-win situation for the Company and its employees. At the same time, efforts are made to ensure that employees are informed of current policies. |  |
| (5) Does the company provide its employees with career development and training sessions? |  |  | OOO Group not only assesses and provides feedback on employees’ skills and interests, but also offers training and development activities that match their career development objectives and job needs. |  |
| (6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service? |  |  | Customer Service Department  Establishment of the Customer Service Department allows us to integrate existing customer service resources to respond to and match customers’ various demands in a timely and precise manner and improve customer satisfaction through assurance of service quality. A free 24-hour service hotline accepts product queries, service consulting, and complaints from customers.  Online Service Platform  We have now developed an online customer service platform that uses the Internet for prompt interaction and exchange of information with our customers. The platform can be integrated with the customers’ own network to provide information on the entire supply chain, including order status, shipping date, design integration and engineering details.  Customer Protection  We respect and protect all technology, techniques, documents and information provided by our customers, while requiring all of our employees and suppliers to abide by the relevant confidentiality agreements. We also have security controls in place to ensure the safety of the Company’s and our customers’ confidential information. |  |
| (7) Does the company advertise and label its goods and services according to relevant regulations and international standards? |  |  | When labeling and advertising its products worldwide, OOO Group consistently honors regional and national regulations without misleading its customers by exaggerating the information provided. |  |
| (8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships? |  |  | The Company has thousands of suppliers in different regions, and engages in mutual learning for common progress in the areas of social and environmental matters, such as hazardous substance control, environmental protection, labor safety and health, human rights, conflict metals, and carbon footprint. At the same time, suppliers are required to voluntarily inform the Company of any violations against the corporate social responsibility policy. |  |
| (9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society? |  |  | When suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society, OOO Group may terminate any agreements at any time by providing the suppliers with 60 days’ written notice, or pay in lieu thereof, without any further obligation or compensation. |  |
| 4. Enhancing Information Disclosure  (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)? |  |  | The CSR report haves been published on both the official website and MOPS. The report was prepared in accordance with the GRI G4 guidelines published in 2013 and the new Accountability Principle Standards (AA1000APS) effective from 2008. The figures in the report were computed and disclosed in accordance with the GRI indicators. | None |
| 5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the Principles and their implementation:  OOO has not established corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEx Listed Companies”. | | | | |
| 6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices：  Environmental Protection  Promoting environmental protection: Caring for the Earth. We are working to promote ecological sustainability. The Tree Valley Park will serve as an example of green development through programs such as the Tree Valley Park 100,000 Seedling Plan. OOO will also support related green activities carried out by the Tree Valley Culture Foundation.  Social Contributions  Since 2008, OOO has sponsored OO University with the OOO Scholarship. The scholarship was established to honor the spirit of OOO, who believed in cultivating top university students’ interest in academic research and cross-strait academic exchanges. Each year, XX outstanding OO University sophomores and juniors receive a NT$XXX scholarship and an opportunity to attend a 2-month-long research seminar in China.  Charitable Donations  Since its inception in 1997, OOO has been committed to helping government and non-profit disaster relief efforts, including donations made to the September 21st Earthquake in 1999 and the SARS Medical Team of the Hsinchu General Hospital in 2003. Employees also initiated donations for the International Red Cross in response to the 2008 Sichuan Earthquake. With matching funds from the OO foundation, total donations reached NT$XXX.  Helping Disadvantaged Minorities  During periods of economic slowdowns, OOO has carried out its corporate social responsibility mandate by helping disadvantaged groups. In 2016, XXX employees volunteered a total of XXX hours at charities and programs to help disadvantaged minorities. | | | | |
| 7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions:  The British Standard Institution (BSI) reviewed our CSR report against the AccountAbility AA 1000 Assurance Standard and the GRI G4 guideline on materiality, inclusivity and responsiveness. | | | | |

Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

2. Companies who have compiled CSR reports may cite the source from specific pages of their CSR reports instead.

**3.3.6 Ethical Corporate Management**

| Evaluation Item | Implementation Status 1 | | | Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
| --- | --- | --- | --- | --- |
| Yes | No | Abstract Illustration |
| 1. Establishment of ethical corporate management policies and programs    1. Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?    2. Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?    3. Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies? |  |  | The Company’s Ethical Corporate Management Best-Practice Principles is a guideline to provide high ethical standards for all employees. The principles are disclosed in the annual report and on the company website. The Board of Directors and the management place the greatest importance in adopting the highest standards of integrity and ethics in corporate management and employee work conduct. Bribery, corruption, deception, and all other forms of improper conduct are prohibited.  The Company’s Ethical Corporate Management Best-Practice Principles have established preventive measures against the following:   1. offering and accepting bribes; 2. illegal political donations; 3. improper charitable donations or sponsorship; 4. offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits.   The aforementioned principles and related regulations were announced and disseminated to employees, managers and Board of Directors to enhance integrity and self-discipline.  In order to prevent any unethical conduct, all employees must disclose any matters that have or may have the appearance of undermining the Principle, such as any actual or potential conflict of interest. Key employees and senior officers must periodically declare their compliance status with the Principle. OOO requires all our suppliers, vendors and partners to declare in writing that they will not engage in any fraud or provide unethical conduct when dealing with the Company or our officers and employees. Internal and external online hotlines have been established for any relevant persons to use in reporting any ethical irregularities for personal investigation by a designated senior management of OOO. | None |
| 1. Fulfill operations integrity policy    1. Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?    2. Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?    3. Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?    4. Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?    5. Does the company regularly hold internal and external educational trainings on operational integrity? |  |  | The Company holds annual business meetings, conveying our integrity requirements to all our business partners. In addition, an ethic-related clause is included in every business contract. If there is any breach of the clause, the Company may terminate the partnership at any time without any further obligation or compensation.  The Company established the “Corporate Integrity Team” on XX/XX/2015 under the Board’s supervision and submits quarterly reports to the Board of Directors.  The Company follows the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Law Against Accepting Bribes Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant regulations for listed companies. The Company also conducts due diligence before trading with upstream and downstream companies to minimize the risks. At the same time, the Company has made a hotline available for submissions of regarding conflicts of interest.  The Company has established accounting and internal control systems to ensure integrity in our operations. After internal auditors have analyzed and reviewed the annual audit program according to the risk evaluation results, the Company will compiles them into an audit report.  The Company carries out regular training for employees every quarter. For new employees, training on ethical rules, conflicts of interest, business morals, and all other related subjects are carried out during their first week of work. All employees are required to receive integrity training for at least two hours each year. | None |
| 1. Operation of the integrity channel    1. Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?    2. Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?    3. Does the company provide proper whistleblower protection? |  |  | The Company establishes various reporting channels so that employees and relevant people can report improper business behaviors through the system. After a confidential investigation, anyone who violates the regulations on operational integrity will be punished according to the Company’s regulations on reward and punishment. In cases of illegal conduct, legal actions will be taken as well.  The Company has in place SOPs authorized by the Board which could be applied on any confidential investigations on such cases.  The Company takes whistleblower protection seriously since the core purpose is protection from unlawful reprisal for diligent employees who step forward to identify potential wrongdoing. The Company has a dedicated hotline for whistleblower protection whether first-line managers and the Board if necessary, can directly review and determine appropriate actions against reprisal of complaints. | None |
| 1. Strengthening information disclosure    1. Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS? |  |  | The Company’s Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company’s Chinese / English website and MOPS. | None |
| 1. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation.   There have been no differences. | | | | |
| 1. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).    * 1. To implement the basics of ethical corporate management policies, the Company operates under the Company Act, Securities and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEx-Listed Companies, and other laws and decrees concerning business transactions.      2. The Company has set up the "Management Procedures for Preventing Insider Trading", which specifies that directors, supervisors, managers, and employees are not allowed to reveal inside information to others or to inquire non-public information that is irrelevant to his/her business scope.      3. For more detailed information, please refer to the Company’s official website: http://www.xxxxxx.com/xxxxxx.html. | | | | |

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

**3.3.7 Corporate Governance Guidelines and Regulations**

Please refer to the Company’s website at www. ⭘⭘⭘.com

**3.3.8 Other Important Information Regarding Corporate Governance**

None.

**3.3.9 Internal Control Systems**

Please refer to page XX of the Chinese annual report.

**3.3.10 Major Resolutions of Shareholders’ Meeting and Board Meetings**

|  |  |  |
| --- | --- | --- |
| Item | Date | Major resolutions |
| Board meeting | MM, DD, 2016 | 1. Approval of the 2015 business report and financial statements. 2. Approval of the distribution of 2015 retained earnings and employee profit sharing. 3. Approval of the Year 2015 business plan and financial budget. |
| Shareholders’ meeting | MM, DD, 2016 | 1. Approval of the 2015 business report and financial statements. 2. Approval of the distribution of 2015 retained earnings and employee profit sharing.   3. Approval of amendment to the Articles of Incorporation. |
| Board meeting | MM, DD, 2016 | 1. Approval of purchasing up to NT$XXX billion of the Company’s common shares from the open market. 2. Approval of 2016 semi-annual financial statement. 3. Approval of the promotion of Mr. ⭘⭘⭘ to the position of Vice President of ⭘⭘⭘. |
| Board meeting | MM, DD, 2017 | 1. Approval of the 2016 business report and financial statements. 2. Approval of the distribution of 2016 retained earnings and employee compensation. 3. Approval of the Year 2017 business plan and financial budget. 4. Appointment of Mr. ⭘⭘⭘ as the head of Internal Auditing. |

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

None

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

MM, DD, 2016

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Title | Name | Date of Appointment | Date of Termination | Reasons for Resignation or Dismissal |
| President | ⭘⭘⭘ | MM, DD, 200X | MM, DD, 2020 | Retirement |
| Chief Internal Auditor | ⭘⭘⭘ | MM, DD, 200X | MM, DD, 2020 | Promoted to position of vice president of ⭘⭘⭘ |

**3.4 Information Regarding the Company’s Audit Fee and Independence**

**3.4.1 Audit Fee**

|  |  |  |  |
| --- | --- | --- | --- |
| Accounting Firm | Name of CPA | Period Covered by CPA’s Audit | Remarks |
| ⭘ & ⭘ | ⭘⭘⭘ | 2016.01.01~2016.12.31 |  |
|  |  |  |

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fee Items  Fee Range | | Audit Fee | Non-audit Fee | Total |
| 1 | Under NT$ 2,000,000 |  |  |  |
| 2 | NT$2,000,001 ~ NT$4,000,000 |  | 🗸 |  |
| 3 | NT$4,000,001 ~ NT$6,000,000 |  |  |  |
| 4 | NT$6,000,001 ~ NT$8,000,000 | 🗸 |  | 🗸 |
| 5 | NT$8,000,001 ~ NT$10,000,000 |  |  |  |
| 6 | Over NT$100,000,000 |  |  |  |

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Accounting Firm | Name of CPA | Audit Fee | Non-audit Fee | | | | | Period Covered by CPA’s Audit | Remarks |
| System of Design | Company Registration | Human Resource | Others | Subtotal |
| ⭘ & ⭘ | ⭘⭘⭘ | X,XXX | - | XXX | - | XXX | XXX |  |  |
| ⭘⭘⭘ |  |

**3.4.2 Replacement of CPA**

**A. Regarding the former CPA**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Replacement Date | January 1, 2017 | | | | |
| Replacement reasons and explanations | The original CPAs of the Company were ⭘⭘⭘ (CPA A) and ⭘⭘⭘ (CPA B) from ⭘⭘⭘ firm. Due to internal restructuring at ⭘⭘⭘ firm , the CPAs of the Company were changed to ⭘⭘⭘ (CPA C) and ⭘⭘⭘ (CPA D), beginning January 1, 2017. | | | | |
| Describe whether the Company terminated or the CPA did not accept the appointment | Parties  Status | | | CPA | The Company |
| Termination of appointment | | | - | - |
| No longer accepted (continued) appointment | | | - | - |
| Other issues (except for unqualified issues) in the audit reports within the last two years | None | | | | |
| Differences with the company | Yes | - | Accounting principles or practices | | |
| - | Disclosure of Financial Statements | | |
| - | Audit scope or steps | | |
| - | Others | | |
| None | 🗸 | | | |
| Remarks/specify details: | | | | |
| Other Revealed Matters | None | | | | |

**B. Regarding the successor CPA**

|  |  |
| --- | --- |
| Name of accounting firm | ⭘⭘⭘ |
| Name of CPA | ⭘⭘⭘ and ⭘⭘⭘ |
| Date of appointment | April 11, 2017 |
| Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement. | None |
| Succeeding CPA’s written opinion of disagreement toward the former CPA | None |

**3.4.3 Audit Independence**

The Company’s Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company’s independent auditing firm or its affiliates during 2016.

**3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders**

Unit: Shares

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Title | Name | 2016 | | As of Apr. 30, 2017 | |
| Holding  Increase  (Decrease) | Pledged  Holding  Increase  (Decrease) | Holding  Increase  (Decrease) | Pledged  Holding  Increase  (Decrease) |
| Director | ⭘⭘⭘ | XXX | XXX | XXX | XXX |
|  |  |  |  |  |  |

**3.5.1 Shares Trading with Related Parties**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Name | Reason for Transfer | Date of Transaction | Transferee | Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders | Shares | Transaction Price (NT$) |
|  |  |  |  |  |  |  |

**3.5.2 Shares Pledge with Related Parties**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Name | Reason for Pledge | Date of Transaction | Transferee | Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders | Shares | Shares holding  % | Shares Pledged  % | Pledged Amount |
|  |  |  |  |  |  |  |  |  |

**3.6 Relationship among the Top Ten Shareholders**

As of 12/31/2016

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Name | Current Shareholding | | Spouse’s/minor’s  Shareholding | | Shareholding  by Nominee  Arrangement | | Name and Relationship Between the Company’s Top Ten Shareholders, or Spouses or Relatives Within Two Degrees | | Remarks |
| Shares | % | Shares | % | Shares | % | Name | Relationship |
| ⭘⭘⭘ | XXX | XXX | XXX | XXX | XXX | XXX | ○○○ | ○○○ |  |
|  |  |  |  |  |  |  |  |  |  |

**3.7 Ownership of Shares in Affiliated Enterprises**

Unit: shares/ %

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Affiliated  Enterprises | Ownership by the Company | | Direct or Indirect Ownership by Directors/Supervisors/Managers | | Total Ownership | |
| Shares | % | Shares | % | Shares | % |
|  | XXX | XXX | XXX | XXX | XXX | XXX |

**IV. Capital Overview**

**4.1 Capital and Shares**

**4.1.1 Source of Capital**

A. Issued Shares

As of 04/30/2017

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Month/  Year | Par  Value  (NT$) | Authorized Capital | | Paid-in Capital | | Remark | | |
| Shares | Amount  (NT$ thousands) | Shares | Amount  (NT$ thousands) | Sources of Capital | Capital  Increased by  Assets Other  than Cash | Other |
|  |  |  |  |  |  |  |  |  |

B. Type of Stock

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Share Type | Authorized Capital | | | Remarks |
| Issued Shares | Un-issued Shares | Total Shares |
|  |  |  |  |  |
|  |  |  |  |  |

C. Information for Shelf Registration

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Securities  Type | Preparing to Issue Amount | | Issued Amount | | Purpose and Effect for Issued Shares | Issue Period for Unissued Shares | Remarks |
| Total Shares | Authorized  Amount  (NT$ thousands) | Shares | Price (NT$) |
|  |  |  |  |  |  |  |  |

**4.1.2 Status of Shareholders**

As of 12/31/2016

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Item | Government Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
| Number of Shareholders |  |  |  |  |  |  |
| Shareholding (shares) |  |  |  |  |  |  |
| Percentage |  |  |  |  |  |  |

**4.1.3 Shareholding Distribution Status**

A. Common Shares

As of 12/31/2016

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
| --- | --- | --- | --- |
| 1 ~ 999 |  |  |  |
| 1,000 ~ 5,000 |  |  |  |
| 5,001 ~ 10,000 |  |  |  |
| 10,001 ~ 15,000 |  |  |  |
| 15,001 ~ 20,000 |  |  |  |
| 20,001 ~ 30,000 |  |  |  |
| 30,001 ~ 50,000 |  |  |  |
| 50,001 ~ 100,000 |  |  |  |
| 100,001 ~ 200,000 |  |  |  |
| 200,001 ~ 400,000 |  |  |  |
| 400,001 ~ 600,000 |  |  |  |
| 600,001 ~ 800,000 |  |  |  |
| 800,001 ~ 1,000,000 |  |  |  |
| 1,000,001 or over |  |  |  |
| Total |  |  |  |

B. Preferred Shares

As of 12/31/2016

|  |  |  |  |
| --- | --- | --- | --- |
| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|  |  |  |  |

**4.1.4 List of Major Shareholders**

As of 12/31/2016

|  |  |  |
| --- | --- | --- |
| Shareholder's Name | Shareholding | |
| Shares | Percentage |
|  |  |  |

**4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share**

Unit: NT$

| Items | 2015 | 2016 | 01/01/2017-03/31/2017 |
| --- | --- | --- | --- |
| **Market Price per Share** | | | |
| Highest Market Price | XXX | XXX | XXX |
| Lowest Market Price | XXX | XXX | XXX |
| Average Market Price | XXX | XXX | XXX |
| **Net Worth per Share** | | | |
| Before Distribution | XXX | XXX | XXX |
| After Distribution | XXX | XXX | XXX |
| **Earnings per Share** | | | |
| Weighted Average Shares  (thousand shares) | XXX | XXX | XXX |
| Diluted Earnings Per Share | XXX | XXX | XXX |
| Adjusted Diluted Earnings Per Share | XXX | XXX | XXX |
| **Dividends per Share** | | | |
| Cash Dividends | XXX | XXX | XXX |
| Stock Dividends | | | |
| * Dividends from Retained Earnings | XXX | XXX | XXX |
| * Dividends from Capital Surplus | XXX | XXX | XXX |
| Accumulated Undistributed Dividends | XXX | XXX | XXX |
| **Return on Investment** | | | |
| Price / Earnings Ratio (Note 1) | XXX | XXX | XXX |
| Price / Dividend Ratio (Note 2) | XXX | XXX | XXX |
| Cash Dividend Yield Rate (Note 3) | XXX | XXX | XXX |

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

**4.1.6 Dividend Policy and Implementation Status**

**A. Dividend Policy**

If earnings are available for distribution at the end of a fiscal year, 10% of net earnings – that is, after offsetting any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve and appropriated in accordance with the Securities Exchange Law. The remaining net earnings can be distributed along with prior accumulated unappropriated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. Dividends will be distributed in accordance with the resolution approved by the Board of Directors and at the annual shareholders’ meeting.

**B. Proposed Distribution of Dividend**

The proposal for the distribution of 2016 profits was passed at the meeting of the Board of Directors. The proposal for a cash dividend of NT$ XXX per share and a stock dividend of NT$ XXX per share will be discussed at the annual shareholders’ meeting.

**4.1.7 Compensation of Employees, Directors and Supervisors**

A. Information Relating to Compensation of Employees, Directors and Supervisors in the Articles of Incorporation

Article XX of the Articles of Incorporation stipulates that: "From the profit earned by the Company as shown through the annual account closing, 1%~2% shall be taken for employee compensation, and 1% taken for directors’ and supervisors’ compensation, provided that the amount of accumulated loss, if any, be first withheld.”

B. 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.

C. Distribution of Compensation of Employees, Directors and Supervisors for 2016 Approved in the Board of Directors Meeting

(1) Recommended Distribution of Compensation of Employees, Directors and Supervisors:

(NT$ thousands)

|  |  |
| --- | --- |
| Employee Compensation – in Cash | $ XXX |
| Employee Compensation – in Stock | XXX |
| Directors' and Supervisors' Compensation | XXX |
| Total | $ XXX |

(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.

D. Information of 2015 Distribution of Compensation of Employees, Directors and Supervisors (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.

|  |  |
| --- | --- |
|  |  |
| The Number of Shares | XXX |
| Stock Price | $ XXX |
| Directors' and Supervisors' Compensation-in Stock(NT$ thousands) | $ XXX |
| Employee Compensation-in Stock(NT$ thousands) | $ XXX |
| Employee Compensation – in Cash (NT$ thousands) | $ XXX |
| Directors' and Supervisors' Compensation – in Cash (NT$ thousands) | XXX |
| Directors' and Supervisors' Compensation | XXX |
| Total | $ XXX |

The above-mentioned actual distribution of compensation of employees, directors and supervisors was in line with the resolution of the Board of Directors.

**4.1.8 Buyback of Treasury Stock**

As of 04/30/2017

|  |  |  |
| --- | --- | --- |
| Treasury stocks: Batch Order | XXXth Batch | XXXth Batch |
| Purpose of buy-back |  |  |
| Timeframe of buy-back |  |  |
| Price range |  |  |
| Class, quantity of shares bought back |  |  |
| Value of shares bought-back (in NT$ thousands) |  |  |
| Shares sold/transferred |  |  |
| Accumulated number of company shares held |  |  |
| Percentage of total company shares held (%) |  |  |

**4.2 Bonds**

**4.2.1 Corporate Bonds**

|  |  |  |  |
| --- | --- | --- | --- |
| Corporate Bond Type | | 2017 Unsecured Corporate Bonds, Phase I | 2017 Secured Corporate Bonds, Phase I |
| Issue date | | January 1, 2017 | January 1, 2017 |
| Denomination | | NT$10,000,000 | NT$10,000,000 |
| Issuing and transaction location | | Market (listed) | Market (listed) |
| Issue price | | Issue by denomination | Issue by denomination |
| Total price | | NT$2,000,000,000 | NT$2,000,000,000 |
| Coupon rate | | O.OO% | O.OO% |
| Tenor | | 7 years  Maturity: January 1, 2024 | 7 years  Maturity: January 1, 2024 |
| Guarantee agency | | None | None |
| Consignee | | XXX Bank | XXX Bank |
| Underwriting institution | | None | None |
| Certified lawyer | | None | None |
| CPA | | None | None |
| Repayment method | | Repayment in lump sum upon maturity | Repayment of 50% of the principal in the sixth year and the remaining 50% in the seventh year |
| Outstanding principal | | NT$2,000,000,000 | NT$2,000,000,000 |
| Terms of redemption or advance repayment | | None | None |
| Restrictive clause | | None | None |
| Name of credit rating agency, rating date, rating of corporate bonds | | Rating agency:  XXX Co., Ltd.  Rating date:  December 1, 2016  Credit rating: twAAA | Rating agency:  XXX Co., Ltd.  Rating date:  December 1, 2016  Credit rating: twAAA |
| Other rights attached | As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities | N/A | N/A |
| Issuance and conversion (exchange or subscription) method | None | None |
| Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders’ equity | | None | None |
| Transfer agent | | None | None |

**4.2.2 Convertible Bonds**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Corporate bond type | | 3rd Unsecured Convertible Corporate Bond | | |
| Year  Item | | 2015 | 2016 | As of the printing date of this annual report |
| Market price of the convertible bond | Highest | XXX.XX | XXX.XX | XXX.XX |
| Lowest | XXX.XX | XXX.XX | XXX.XX |
| Average | XXX.XX | XXX.XX | XXX.XX |
| Convertible Price | | NT$XX.X | NT$XX.X | NT$XX.X |
| Issue date and conversion price at issuance | | Issue Date: 2015/1/1  Conversion price at issuance: NT$XX.X/share | | Issue Date: 2015/1/1  Conversion price at issuance: NT$XX.X/share |
| Conversion methods | | Issuing of new stocks | | Issuing of new stocks |

**4.2.3 Exchangeable Bonds**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Corporate bond type | | 3rd Unsecured Convertible Corporate Bond | | |
| Year  Item | | 2015 | 2016 | As of the printing date of this annual report |
| Amount of holding target | | XX | XX | XX |
| Exchangeable price | | NT$XX.X | NT$XX.X | NT$XX.X |
| Market price of the exchangeable bond | Highest | XXX.XX | XXX.XX | XXX.XX |
| Lowest | XXX.XX | XXX.XX | XXX.XX |
| Average | XXX.XX | XXX.XX | XXX.XX |
| Issue date | | 2015/1/1 | | |
| Exchangeable target | | XXX | | |

**4.2.4 Shelf Registration for Issuing Bonds**

|  |  |
| --- | --- |
| Expected to raise and total amount of issuance |  |
| Total amount issued |  |
| Total amount remaining |  |
| Expected issue date for remaining |  |

**4.2.5 Corporate Bonds with Warrants**

|  |  |  |
| --- | --- | --- |
| Types of bonds with warrants | Corporate bonds with warrants, Phase I | Corporate bonds with warrants, Phase I |
| Issue date |  |  |
| Type and amount when executing |  |  |
| Expiry date |  |  |
| Methods of executing |  |  |
| Exercise price |  |  |
| Terms of restricted executing |  |  |
| Unexecuted warrants balance |  |  |
| Ratio of unexecuted warrants to outstanding shares |  |  |

**4.3 Global Depository Receipts**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Issue date  Item | | | January 1, 2016 | January 1, 2017 |
| Issuance and listing | | | NYSE | NYSE |
| Total amount | | | US$X,XXX,XXX | US$X,XXX,XXX |
| Unit issuing price | | | US$XX.XX | US$XX.XX |
| Units issued | | | X,XXX,XXX | X,XXX,XXX |
| Source of negotiable securities | | | The Company’s common shares held by the original shareholders | The Company’s common shares held by the original shareholders |
| Amount of negotiable securities | | | XX,XXX,XXX | XX,XXX,XXX |
| Rights and obligations of GDR holders | | | Same as those of common share holders | Same as those of common share holders |
| Trustee | | | None | None |
| Depository bank | | | OOO bank | OOO bank |
| Custodian bank | | | OOO bank | OOO bank |
| Outstanding balance | | | X,XXX,XXX | X,XXX,XXX |
| Treatment of expenses incurred at issuance and thereafter | | | Issue cost: amortized by the issuing companies and shareholder participants according to the actual shares issued Expenses incurred after issuance: amortized by the issuing company | |
| Important conventions about depository and escrow agreement | | | The depositary institution performs the obligations for GDR holders, while the guarantee agency holds the GDR common shares. | |
| Market price per unit | 20XX | Highest | x.xx | x.xx |
| Lowest | x.xx | x.xx |
| Average | x.xx | x.xx |
| Current year to 20XX/XX/XX | Highest | x.xx | x.xx |
| Lowest | x.xx | x.xx |
| Average | x.xx | x.xx |

**4.4 Employee Stock Options**

**4.4.1 Issuance of Employee Stock Options**

|  |  |  |
| --- | --- | --- |
| Type of Stock Option | XXXth Tranche | XXXth Tranche |
| Approval date |  |  |
| Issue date |  |  |
| Units issued |  |  |
| Shares of stock options to be issued as a percentage of outstanding shares |  |  |
| Duration |  |  |
| Conversion measures |  |  |
| Conditional conversion periods and percentages |  |  |
| Converted shares |  |  |
| Exercised amount |  |  |
| Number of shares yet to be converted |  |  |
| Adjusted exercise price for those who have yet to exercise their rights |  |  |
| Unexercised shares as a percentage of total issued shares |  |  |
| Impact on possible dilution of shareholdings |  |  |

**4.4.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options**

As of 04/30/2017

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Title | Name | No. of Stock Options | Stock Options as a  Percentage of Shares Issued | Exercised | | | | Unexercised | | | |
| No. of Shares Converted | Strike Price  (NT$) | Amount  (NT$ thousands) | Converted Shares as a Percentage of Shares Issued | No. of Shares Converted | Strike Price  (NT$) | Amount  (NT$ thousands) | Converted Shares as a Percentage of Shares Issued |
| Executive officers |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Employees |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**4.4.3 Issuance of New Restricted Employee Shares**

As of 04/30/2017

|  |  |  |
| --- | --- | --- |
| Type of New Restricted Employee Shares | XXXth Tranche | XXXth Tranche |
| Date of Effective Registration |  |  |
| Issue date |  |  |
| Number of New Restricted Employee Shares Issued |  |  |
| Issued Price (NT$) |  |  |
| New Restricted Employee Shares as a Percentage of Shares Issued |  |  |
| Vesting Conditions of New Restricted Employee Shares |  |  |
| Restricted Rights of New Restricted Employee Shares |  |  |
| Custody Status of New Restricted Employee Shares |  |  |
| Measures to be Taken When Vesting Conditions are not Met |  |  |
| Number of New Restricted Employee Shares that have been Redeemed or Bought Back |  |  |
| Number of Released New Restricted Employee Shares |  |  |
| Number of Unreleased New Restricted Shares |  |  |
| Ratio of Unreleased New Restricted Shares to Total Issued Shares (%) |  |  |
| Impact on possible dilution of shareholdings |  |  |

**4.4.4 List of Executives Receiving New Restricted Employee Shares and the Top Ten Employees with New Restricted Employee Shares**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Title | Name | No. of New Restricted Shares | New Restricted Shares as a  Percentage of Shares Issued | Released | | | | Unreleased | | | |
| No. of Shares | Issued Price  (NT$) | Amount  (NT$ thousands) | Released Restricted Shares as a Percentage of Shares Issued | No. of Shares | Strike Price  (NT$) | Amount  (NT$ thousands) | Unreleased Restricted Shares as a Percentage of Shares Issued |
| Executive officers |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Employees |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

As of 04/30/2017

**4.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions**

|  |  |  |  |
| --- | --- | --- | --- |
| Company Name | |  |  |
| Company address | |  |  |
| Chairman | |  |  |
| Paid-in capital | |  |  |
| Main business | |  |  |
| Major product | |  |  |
| Financial  data of the  latest year | Total assets |  |  |
| Total liabilities |  |  |
| Total shareholders' equity |  |  |
| Operating revenue |  |  |
| Gross profit |  |  |
| Operating income (loss) |  |  |
| Net income (loss) |  |  |
| Earnings per share |  |  |

**4.6 Financing Plans and Implementation**

Please refer to page XX of the Chinese annual report.

**4.6.1 Finance Plans**

A. For each uncompleted public issue or private placement of securities, and for such issues and placements that were completed in the most recent three years but have not yet fully yielded the planned benefits.

B. Source of funds

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Issuance | Issue Date | Tenor | Outstanding | Expansion Plan |
|  |  |  |  |  |

**4.6.2 Implementation**

Capital received from previously-issued corporate bonds has been fully executed according to the required procedures.

**V. Operational Highlights**

**5.1 Business Activities**

**5.1.1 Business Scope**

A. Main areas of business operations

B. Revenue distribution

Unit；NT$ thousands

|  |  |  |
| --- | --- | --- |
| Major Divisions | Total Sales in Year 2016 | (%) of Total Sales |
|  |  |  |

C. Main products

D. New products development

XXX new products were launched in 2016. Sales of new products in XXX years accounted for XXX of ○○○. Over the years, we have successfully created many innovative, breakthrough and market-leading products.

**5.1.2 Industry Overview**

Please refer to page XX of the Chinese annual report.

A. Macroeconomic Environment

B. Current Status and Future Development of ○○○

C. Relationship with Up-, Middle- and Downstream Companies

D. Product Trends and Competition

(1) Product Trends

(2) Product Competition

**5.1.3 Research and Development**

Please refer to page XX of the Chinese annual report.

A. Research and Development Expenses by the Central Research Institute (CRI) in the Past Two Years

|  |  |  |  |
| --- | --- | --- | --- |
| Year | 2015 | 2016 | 2017 (As of April 30) |
| Total Expenses (NT$ thousands) | XXX | XXX | XXX |

B. Research and Development Achievements of the CRI in the Past Two Years

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | | 2015 | 2016 | 2017 (As of April 30) |
| New Products Launched | | XXX | XXX | XXX |
| Research Reports | | XXX | XXX | XXX |
| Patents | Approved | XXX | XXX | XXX |
| Pending | XXX | XXX | XXX |

1. Overview of Product Development

2. Overview of Research Achievement

3. Research Scope

4. Other R&D Related Projects

5. Ongoing Projects

6. Launch Date

7. Key Success Factors

**5.1.4 Long-term and Short-term Development**

Please refer to page XX of the Chinese annual report.

A. Long-term Development

a. Branding

b. Manufacturing and R&D

c. Trade and Distribution

d. Channel Management

e. Strategic Alliances and Mergers & Acquisitions

B. Short-term Development

a. Increasing Brand Value

b. Improving Profitability

c. Respecting the Market Mechanism

d. Being Disciplined and Getting Things Done

e. Being Socially Responsible

**5.2 Market and Sales Overview**

**5.2.1 Market Analysis**

A. Sales (Service) Region

%

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| (Area)  (Division) | Taiwan | Asia | Europe | Americas | Other Area | Total |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

B. Market Share (%) of Major Product Categories in the Last Two Years

C. Market Analysis of Major Product Categories

D. Favorable and Unfavorable Factors in the Long Term

**5.2.2 Production Procedures of Main Products**

A. Major Products and Their Main Uses

B. Major Products and Their Production Processes

**5.2.3 Supply Status of Main Materials**

|  |  |  |  |
| --- | --- | --- | --- |
| **Product Group** | **Major Raw Materials** | **Source of Supply** | **Supply Situation** |
|  |  |  |  |

**5.2.4 Major Suppliers and Clients**

Please refer to page XX of the Chinese annual report.

A. Major Suppliers in the Last Two Calendar Years

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Item | 2015 | | | | 2016 | | | | 2017 (As of March 31) | | | |
| Company  Name | Amount | Percent | Relation  with  Issuer | Company  Name | Amount | Percent | Relation  with  Issuer | Company  Name | Amount | Percent | Relation  with  Issuer |
| 1 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 2 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 3 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 4 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 5 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 6 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 7 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 8 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 9 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 10 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
|  | Others |  |  |  | Others |  |  |  | Others |  |  |  |
|  | Net Total Supplies |  | 100 |  | Net Total Supplies |  | 100 |  | Net Total Supplies |  | 100 |  |

Note 1: Major suppliers refer to those commanding 10%-plus share of annual order volume.

2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

B. Major Clients in the Last Two Calendar Years

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Item | 2015 | | | | 2016 | | | | 2017 (As of March 31) | | | |
| Company  Name | Amount | Percent | Relation  with  Issuer | Company  Name | Amount | Percent | Relation  with  Issuer | Company  Name | Amount | Percent | Relation  with  Issuer |
| 1 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 2 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 3 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 4 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 5 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 6 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 7 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 8 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 9 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
| 10 | ○○○ | XXX | % |  | ○○○ | XXX | % |  | ○○○ | XXX | % |  |
|  | Others |  |  |  | Others |  |  |  | Others |  |  |  |
|  | Net Sales |  | 100 |  | Net Sales |  | 100 |  | Net Sales |  | 100 |  |

Note 1: Major clients refer to those commanding 10%-plus share of annual order volume.

2: For the listed company, the most recent quarterly financial information which has been audited or reviewed by the accountant, prior to the publication date of the annual report, should be disclosed.

**5.2.5 Production in the Last Two Years**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year  Output  Major Products  (or by department) | 2016 | | | 2015 | | |
| Capacity | Quantity | Amount | Capacity | Quantity | Amount |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |

Unit: NT$ thousands

**5.2.6** **Shipments and Sales in the Last Two Years**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year  Shipments  & Sales  Major Products  (or by departments) | 2016 | | | | 2015 | | | |
| Local | | Export | | Local | | Export | |
| Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Total |  |  |  |  |  |  |  |  |

**5.3 Human Resources**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | | 2015 | 2016 | Data as of ending data in the current year |
| Number of  Employees |  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| Total |  |  |  |
| Average Age | |  |  |  |
| Average Years of Service | |  |  |  |
| Education | Ph.D. |  |  |  |
| Masters |  |  |  |
| Bachelor’s Degree |  |  |  |
| Senior High School |  |  |  |
| Below Senior High  School |  |  |  |

**5.4 Environmental Protection Expenditure**

**5.4.1 Total Losses and Penalties**

The loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report: None

**5.4.2 Countermeasures**

The Company has taken into consideration any potential risks or violation of environmental and regulations in formulating its environmental management system. The Company also closely monitors developments in the government’s environmental policies and regulations to be able to design precautionary measures. For the pollution and wastes generated in the production process, the Company takes the following measures to protect the environment:

(1) Prevention of water pollution: set up wastewater treatment plants and a water quality analysis laboratory at the XXX factory.

(2) Prevention of stationary pollution source: waste gas is collected by extraction pipes, and released into the air after the pollutants are removed through the wet scrubber.

(3) Cleaning of wastes: Works are done in accordance with the Waste Cleaning Plan, the disposal of waste is reported online in a legal way, and wastes are legally cleaned and recycled.

**5.5 Labor Relations**

Please refer to page XX of the Chinese annual report.

**5.6 Important Contracts**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Agreement | Counterparty | Period | Major Contents | Restrictions |
|  |  |  |  |  |

**VI. Financial Information**

**6.1 Five-Year Financial Summary**

**6.1.1 Condensed Balance Sheet**

**A. Consolidated Condensed Balance Sheet­­ – Based on IFRS**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year  Item | | Financial Summary for The Last Five Years | | | | | As of the printing date of this annual report |
| 2012 | 2013 | 2014 | 2015 | 2016 |
| Current assets | |  |  |  |  |  |  |
| Property, Plant and Equipment | |  |  |  |  |  |  |
| Intangible assets | |  |  |  |  |  |  |
| Other assets | |  |  |  |  |  |  |
| Total assets | |  |  |  |  |  |  |
| Current liabilities | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Non-current liabilities | |  |  |  |  |  |  |
| Total liabilities | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Equity attributable to shareholders of the parent | |  |  |  |  |  |  |
| Capital stock | |  |  |  |  |  |  |
| Capital surplus | |  |  |  |  |  |  |
| Retained earnings | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Other equity interest | |  |  |  |  |  |  |
| Treasury stock | |  |  |  |  |  |  |
| Non-controlling interest | |  |  |  |  |  |  |
| Total equity | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |

B. **Consolidated Condensed balance sheet – Based on ROC GAAP**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year  Item | | Financial Summary for The Last Five Years | | | | | As of the printing date of this annual report |
| 2012 | 2013 | 2014 | 2015 | 2016 |
| Current assets | |  |  |  |  |  |  |
| Funds & Long-term investments | |  |  |  |  |  |  |
| Fixed assets | |  |  |  |  |  |  |
| Intangible assets | |  |  |  |  |  |  |
| Other assets | |  |  |  |  |  |  |
| Total assets | |  |  |  |  |  |  |
| Current liabilities | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Long-term liabilities | |  |  |  |  |  |  |
| Other liabilities | |  |  |  |  |  |  |
| Total liabilities | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Capital stock | |  |  |  |  |  |  |
| Capital surplus | |  |  |  |  |  |  |
| Retained earnings | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |
| Unrealized gain or loss on financial  instruments | |  |  |  |  |  |  |
| Cumulative translation adjustments | |  |  |  |  |  |  |
| Net loss unrecognized as pension cost | |  |  |  |  |  |  |
| Total equity | Before distribution |  |  |  |  |  |  |
| After distribution |  |  |  |  |  |  |

**6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income**

**A. Consolidated Condensed Statement of Comprehensive Income – Based on IFRS**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year  Item | Financial Summary for The Last Five Years | | | | | As of the printing date of this annual report |
| 2012 | 2013 | 2014 | 2015 | 2016 |
| Operating revenue |  |  |  |  |  |  |
| Gross profit |  |  |  |  |  |  |
| Income from operations |  |  |  |  |  |  |
| Non-operating income |  |  |  |  |  |  |
| Non-operating expenses |  |  |  |  |  |  |
| Income before tax |  |  |  |  |  |  |
| Net income (Loss) |  |  |  |  |  |  |
| Other comprehensive income  (income after tax) |  |  |  |  |  |  |
| Total comprehensive income |  |  |  |  |  |  |
| Net income attributable to shareholders of the parent |  |  |  |  |  |  |
| Net income attributable to non-controlling interest |  |  |  |  |  |  |
| Comprehensive income attributable to Shareholders of the parent |  |  |  |  |  |  |
| Comprehensive income attributable to non-controlling interest |  |  |  |  |  |  |
| Earnings per share |  |  |  |  |  |  |

**B. Consolidated Condensed Statement of Income – Based on ROC GAAP**

Unit: NT$ thousands

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year  Item | Financial Summary for The Last Five Years | | | | | As of the printing date of this annual report |
| 2012 | 2013 | 2014 | 2015 | 2016 |
| Operating revenue |  |  |  |  |  |  |
| Gross profit |  |  |  |  |  |  |
| Income from operations |  |  |  |  |  |  |
| Non-operating income |  |  |  |  |  |  |
| Non-operating expenses |  |  |  |  |  |  |
| Income before tax |  |  |  |  |  |  |
| Income from operations of continued segments - after tax |  |  |  |  |  |  |
| Income from discontinued operations |  |  |  |  |  |  |
| Extraordinary gain or loss |  |  |  |  |  |  |
| Cumulative effect of accounting principle changes |  |  |  |  |  |  |
| Net income |  |  |  |  |  |  |
| Earnings per share |  |  |  |  |  |  |

**6.1.3 Auditors’ Opinions from 2012 to 2016**

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Accounting Firm | CPA | Audit Opinion |
| 2012 |  |  |  |
| 2013 |  |  |  |
| 2014 |  |  |  |
| 2015 |  |  |  |
| 2016 |  |  |  |

**6.2 Five-Year Financial Analysis**

**A. Consolidated Financial Analysis – Based on IFRS**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year  Item | | Financial Analysis for the Last Five Years | | | | | As of the printing date of this annual report |
| 2012 | 2013 | 2014 | 2015 | 2016 |
| Financial structure (%) | Debt Ratio |  |  |  |  |  |  |
| Ratio of long-term capital to property, plant and equipment |  |  |  |  |  |  |
| Solvency (%) | Current ratio |  |  |  |  |  |  |
| Quick ratio |  |  |  |  |  |  |
| Interest earned ratio (times) |  |  |  |  |  |  |
| Operating performance | Accounts receivable turnover (times) |  |  |  |  |  |  |
| Average collection period |  |  |  |  |  |  |
| Inventory turnover (times) |  |  |  |  |  |  |
| Accounts payable turnover (times) |  |  |  |  |  |  |
| Average days in sales |  |  |  |  |  |  |
| Property, plant and equipment turnover (times) |  |  |  |  |  |  |
| Total assets turnover (times) |  |  |  |  |  |  |
| Profitability | Return on total assets (%) |  |  |  |  |  |  |
| Return on stockholders' equity (%) |  |  |  |  |  |  |
| Pre-tax income to paid-in capital (%) |  |  |  |  |  |  |
| Profit ratio (%) |  |  |  |  |  |  |
| Earnings per share (NT$) |  |  |  |  |  |  |
| Cash flow | Cash flow ratio (%) |  |  |  |  |  |  |
| Cash flow adequacy ratio (%) |  |  |  |  |  |  |
| Cash reinvestment ratio (%) |  |  |  |  |  |  |
| Leverage | Operating leverage |  |  |  |  |  |  |
| Financial leverage |  |  |  |  |  |  |
| Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) | | | | | | | |
|
|
|
|

**B. Consolidated Financial Analysis – Based on ROC GAAP**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year  Item | | | Financial Analysis for the Past Five Years | | | | |
| 2012 | 2013 | 2014 | 2015 | 2016 |
| Financial structure (%) | Debt Ratio | |  |  |  |  |  |
| Ratio of long-term capital to fixed assets | |  |  |  |  |  |
| Solvency (%) | Current ratio | |  |  |  |  |  |
| Quick ratio | |  |  |  |  |  |
| Interest earned ratio (times) | |  |  |  |  |  |
| Operating performance | Accounts receivable turnover (times) | |  |  |  |  |  |
| Average collection period | |  |  |  |  |  |
| Inventory turnover (times) | |  |  |  |  |  |
| Accounts payable turnover (times) | |  |  |  |  |  |
| Average days in sales | |  |  |  |  |  |
| Fixed assets turnover (times) | |  |  |  |  |  |
| Total assets turnover (times) | |  |  |  |  |  |
| Profitability | Return on total assets (%) | |  |  |  |  |  |
| Return on stockholders' equity (%) | |  |  |  |  |  |
| Ratio to issued capital (%) | Operating income |  |  |  |  |  |
| Pre-tax income |  |  |  |  |  |
| Profit ratio (%) | |  |  |  |  |  |
| Earnings per share (NT$) | |  |  |  |  |  |
| Cash flow | Cash flow ratio (%) | |  |  |  |  |  |
| Cash flow adequacy ratio (%) | |  |  |  |  |  |
| Cash reinvestment ratio (%) | |  |  |  |  |  |
| Leverage | Operating leverage | |  |  |  |  |  |
| Financial leverage | |  |  |  |  |  |
| Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) | | | | | | | |
|
|
|
|

**6.3 Supervisors’ /Audit Committee’s Report for the Most Recent Year**

**To: The General Meeting of Shareholders as of year 2017**

The undersigned has duly audited the Operating Report, Financial Statements and Schedule of Earnings Distribution prepared by the Board of Directors for the year of 2016, and found the same to be true and correct.Therefore, the Supervisors’ Report is hereby issued in accordance with Article 219 of Company Law.

⭘⭘⭘⭘ Corporation

Supervisors: ⭘⭘⭘

(Date)

**6.4 Financial Statements for the Years Ended December 31, 2016 and 2015, and Independent Auditors’ Report**

Please refer to page XX of the Chinese annual report.

**6.5 Financial Statements for the Years Ended December 31, 2016 and 2015, and Independent Auditors’ Report**

Please refer to page XX of the Chinese annual report.

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

**7.1 Analysis of Financial Status**

Unit: NT$ thousands

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year  Item | 2016 | 2015 | Difference | |
| Amount | % |
| Current Assets |  |  |  |  |
| Fixed Assets |  |  |  |  |
| Other Assets |  |  |  |  |
| **Total Assets** |  |  |  |  |
| Current Liabilities |  |  |  |  |
| Long-term Liabilities |  |  |  |  |
| **Total Liabilities** |  |  |  |  |
| Capital stock |  |  |  |  |
| Capital surplus |  |  |  |  |
| Retained Earnings |  |  |  |  |
| Other Adjustments |  |  |  |  |
| **Total Stockholders' Equity** |  |  |  |  |
| Analysis of changes in financial ratios: | | | | |

* **Effect of changes on the company’s financial condition:** The Company’s financial condition has not changed significantly.
* **Future response actions:** Not applicable

**7.2 Analysis of Financial Performance**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year  Item | 2016 | 2015 | Difference | |
| Amount | % |
| Gross Sales |  |  |  |  |
| Less: Sales Returns |  |  |  |  |
| Sales Allowances |  |  |  |  |
| Net Sales |  |  |  |  |
| Cost of Sales |  |  |  |  |
| Gross Profit |  |  |  |  |
| Operating Expenses |  |  |  |  |
| Operating Income |  |  |  |  |
| Non-operating Income and Gains |  |  |  |  |
| Non-operating Expenses and Losses |  |  |  |  |
| Income Before Tax |  |  |  |  |
| Tax Benefit (Expense) |  |  |  |  |
| Cumulative Effect of Change in Accounting Principles |  |  |  |  |
| Analysis of changes in financial ratios: | | | | |

Unit: NT$ thousands

* **Effect of changes on the company’s future business:** The Company’s business scope has not changed significantly.
* **Future response actions:** Not applicable.

**7.3 Analysis of Cash Flow**

**7.3.1 Cash Flow Analysis for the Current Year**

Unit: NT$ thousands

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cash and Cash Equivalents, Beginning of Year  (1) | Net Cash Flow from Operating Activities  (2) | Cash Outflow (3) | Cash Surplus (Deficit) (1)+(2)-(3) | Leverage of Cash Deficit | |
| Investment Plans | Financing Plans |
|  |  |  |  |  |  |
| Analysis of change in cash flow in the current year: | | | | | |

**7.3.2 Remedy for Cash Deficit and Liquidity Analysis**

|  |  |  |  |
| --- | --- | --- | --- |
| Year  Item | 2016 | 2015 | Variance (%) |
| Cash Flow Ratio (%) |  |  |  |
| Cash Flow Adequacy Ratio (%) |  |  |  |
| Cash Reinvestment Ratio (%) |  |  |  |
| Analysis of financial ratio change: | | | |
|
|

**7.3.3 Cash Flow Analysis for the Coming Year**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Estimated Cash and Cash Equivalents, Beginning of Year (1) | Estimated Net Cash Flow from Operating Activities (2) | Estimated Cash Outflow (Inflow) (3) | Cash Surplus (Deficit)  (1)+(2)-(3) | Leverage of Cash Surplus (Deficit) | |
| Investment Plans | Financing Plans |
|  |  |  |  |  |  |

**7.4 Major Capital Expenditure Items**

**7.4.1 Major Capital Expenditure Items and Source of Capital**

Unit: NT$ thousands

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Project | Actual or Planned Source of Capital | Actual or Planned Date of Completion | Total Capital | Actual or Expected Capital Expenditure | | | |
| 2016 | 2017 | 2018 | 2019 |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

**7.4.2 Expected Benefits**

**A. Estimated Increase in Production, Sales, and Gross Profits**

Unit: NT$ thousands

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Item | Quantity of Production | Quantity of Sales | Amount of Sales | Gross Profit |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**B. Other Benefits：**None.

**7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year**

Unit:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Remarks  Item | 2016 Income  (Loss) Amount | Policies | Reasons for Gain  or Loss | Action Plan | Investment Plan  for the Next 12 Months |
|
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**7.6 Analysis of Risk Management**

**7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures**

**(1) Interest rate**

In 2016, the interest expenses of the Company represented XX% of annual revenue. Going forward, the Company will continue to carefully monitor interest rate movements, adopt proper hedging strategies, and make use of capital markets financing instruments to ensure that our financing costs are at a comparatively low level.

**(2) Foreign exchange rates**

The income/loss from foreign exchange transactions in 2016 was an amount equivalent to XX% of total operating income. The Company has a clear operating strategy and risk control procedure to respond to changes in the spot exchange rate, stays in close contact with financial institutions, and adjusts its foreign exchange strategy to minimize the risk of exchange rate accordingly.

**(3) Inflation**

The impact of inflation does not currently have a significant impact on the Company’s profits and business operations.

**7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company’s “Procedures for Lending” and “Procedures for Endorsement Guarantee”. Furthermore, derivative transactions follow the “Procedures for Acquisition and Disposal of Assets”.

**7.6.3 Future Research & Development Projects and Corresponding Budget**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Research Projects | Completion (%) | Expected Research Expenditure | Expected Completion Schedule | Major Risk Factors |
|  |  |  |  |  |

**7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2016 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

**7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

The Company attaches great importance to improvements in technology and carefully monitors market trends and assesses the impact they may have on the company’s operations.

**7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company’s Response Measures**

Since its inception, the Company has consistently maintained an ethical business philosophy and fulfilled its social responsibilities. Aside from working to strengthen internal management and conforming to all relevant corporate governance requirements, the Company has also organized numerous public welfare activities.

**7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

The Company has no ongoing merger and acquisition activities. In considering future M&A activities, the Company will evaluate their efficiency, risks, vertical integration and other factors in accordance with its internal control system.

**7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

Any expansion of the Company’s facilities will be subject to careful evaluation by a special task force in accordance with the Company’s internal control system.

**7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

The Company has consistently focused on identifying alternative sources for purchasing, and has worked to diversify its customer base in order to reduce the concentration of sales.

**7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%**

The shareholdings of the Company’s directors and supervisors have been stable during the last few years, and there have been no major transfers or swaps of shares.

**7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights**

The structure of our principal shareholders is solid. A strong professional management team is in place to maximize both shareholders and the Company’s best interest. Accordingly, we believe that the risk of changing in management rights that would cause damage to the Company is mitigated. In addition, our risk management department is responsible to monitor any related risks and report to the Board. Our policy is to maintain a steady ownership and management structure. As of the date of this Annual Report, such risks were not identified by the Company.

**7.6.12 Litigation or Non-litigation Matters**

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

**7.6.13 Other Major Risks**

**(1) Market risk**

The Company’s available-for-sale assets are publicly traded securities, with fair values that are affected by changes in market prices. Significant market risks are mitigated through the Company’s careful selection of its investment holdings. In addition, the Company uses forward exchange contracts to offset the exchange rate fluctuations of net assets, net liabilities and/or other firm commitments. As such, no significant market risk is anticipated.

**(2) Credit risk**

The Company is exposed to credit risk on default by counter-parties to forward contracts. Contracts with positive fair values at the balance sheet date are evaluated for credit risk. As a result, no material losses resulting from counter-party defaults are anticipated.

**(3) Liquidity risk**

The Company’s available-for-sale financial instruments are publicly traded in an active market and can be sold at their fair values. In addition, the Company has enough operating capital to meet cash demands. As such, no significant demand for additional cash is anticipated.

**VIII. Special Disclosure**

**8.1 Summary of Affiliated Companies**

Please refer to page XX of the Chinese annual report.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Item | (Year) (Number of Times) Private Placement  Issue Date: XXX | | | | | (Year) (Number of Times)Private Placement  Issue Date: XXX | | | | |
| Securities under private placement |  | | | | |  | | | | |
| Date of resolution and approved quantity |  | | | | |  | | | | |
| Basis and rationale for price setting |  | | | | |  | | | | |
| Selection method of specified parties |  | | | | |  | | | | |
| Reasons for private placement |  | | | | |  | | | | |
| Date of payment and completion |  | | | | |  | | | | |
| Information on contributing parties | Target | Eligibility | Quantity Purchased | Relationship with the Company | Participation in Company Operations | Target | Eligibility | Quantity Purchased | Relationship with the Company | Participation in Company Operations |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Actual purchase (or conversion) price |  | | | | |  | | | | |
| Difference between the actual purchase (or conversion) price and the reference price |  | | | | |  | | | | |
| Impact of private placement on shareholders’ equity (ex. causing an increase in accumulated losses) |  | | | | |  | | | | |
| Use of funds from private placement and progress of proposed plans |  | | | | |  | | | | |
| Effectiveness of private placement |  | | | | |  | | | | |

**8.2 Private Placement Securities in the Most Recent Years:**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Name of Subsidiary | Stock Capital Collected | Fund Source | Shareholding Ratio of the Company | Date of Acquisition or Disposition | Shares and Amount Acquired | Shares and Amount Disposed of | Investment Gain (Loss) | Shareholdings and Amount in Most Recent Year | Mortgage | Endorsement Amount Made for the Subsidiary | Amount Loaned to the Subsidiary |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |

**8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:**

Unit: NT$ thousands; Shares; %