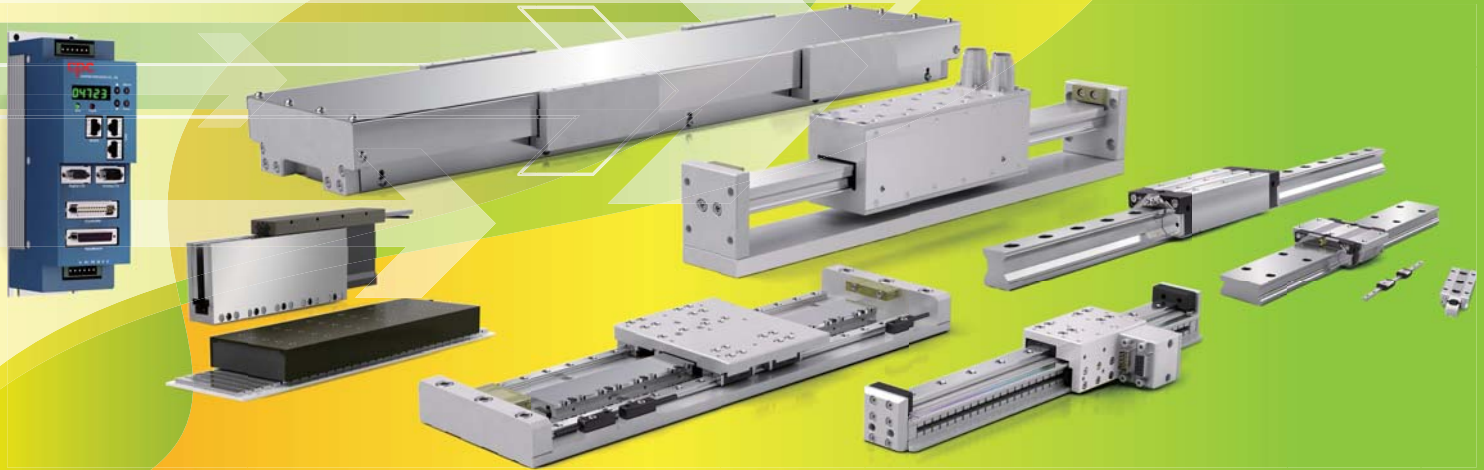


2015 Annual Report

Stock Code: 1597



Mechatronics in Linear Motion Technology

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.



CHIEFTEK PRECISION CO., LTD.

Taiwan Stock Exchange Market Observation Post System:
<http://mops.twse.com.tw/mops/web/index>

cpc Annual Report is available at: <http://www.chieftek.com>
Printed on May 16, 2016

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5. TRADING PLACES OF OVERSEAS NEGOTIABLE SECURITIES FLOTATION AND MODE OF
INQUIRY INFORMATION ON OVERSEAS NEGOTIABLE SECURITIES: NONE.

6. COMPANY WEBSITE: <http://www.chieftek.com>

CHIEFTEK PRECISION CO., LTD.
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I. Letter to Shareholders

Distinguished shareholders, ladies and gentleman:

Thank all the shareholders for your encouragement and support to CHIEFTEK PRECISION CO., LTD. (**cpc** for short). We will continue to operate steadily, be committed to developing key technology and improve product value. Hereby I will report with regard to the operating results of 2015 and operating plan of 2016.

I. Operating results of last year (2015)

(I) Results of operating plan in last year.

Comparison table of consolidated profit or loss of the company in the last two years is as follows:

1. Comparison table of consolidated profit or loss in the last two years

Unit: NT\$ in thousand

Item	2015	2014	Increase (decrease)
Sales revenue	1,021,983	1,016,920	5,063
Operating costs	(715,579)	(776,000)	(60,421)
Operating margin	306,404	240,920	65,484
Operating expenses	(210,248)	(201,768)	8,480
Operating benefit	96,156	39,152	57,004
Net non-operating income and expenses	(14,741)	(7,334)	(7,407)
Profit (loss) before tax	81,415	31,818	49,597
Income tax (expense) benefit	(10,633)	(11,075)	442
Profit (loss) for the year	70,782	20,743	50,039
Other Comprehensive income (loss) for the year	(6,296)	9,574	(15,870)
Comprehensive income (loss) for the year	64,486	30,317	34,169

The table above shows:

(1) Turnover

- A. In 2015, consolidated operating net profit is NT\$1,021,983 thousand. Compared with NT\$1,016,920 thousand of 2014, it is increased by NT\$5,063 thousand with growth ratio of 0.50%.
- B. In 2015, the global boom continues to decline, the price and production of manufacturing products of our country decline as well. Exports of mechanical equipment and machine tool have a negative growth. European and American markets are even, but Asian market recession is serious, especially China mainland market. Besides, NTD exchange depreciation of NTD against USD is far less than YEN and KRW, of which, YEN exchange depreciation is as much as 50% in the last three years. So Taiwanese corporate becomes less competitive. Under such extremely difficult environments and with joint efforts of the whole group, it is really not easy as **cpc** consolidated revenue of 2015 grows against trend compared with 2014. Compared by regions, China mainland region grows by 7.55%, European region grows by 8.12% (influenced by devaluation of euros, it decreases by 8.55% if converted to NTD), American region grows by 13.26%, Taiwan domestic sales declines by 18.09%, other regions grow by 10.51%, of which economy in China mainland region has declined sharply since the third season of 2015 and then influenced Taiwan.

(2) Surplus

- A. In 2015, consolidated operating gross profit is NT\$306,404 thousand. Compared with NT\$240,920 thousand of 2014, it is increased by NT\$65,484 thousand with growth ratio of 27.18%.
- B. In 2015, pre-tax earnings are NT\$81,415 thousand. Compared with NT\$31,818 thousand of 2014, it is increased by NT\$49,597 thousand with growth ratio of

155.88%. The reason is greatly increased revenue of major series of Linear motor, and high proportion of Miniature Linear Guide with high gross profit and effective de-stocking of consolidated inventory.

C. In 2015, earning per share (EPS) after tax is NT\$ 1.26.

(II) Situation of budget enforcement

Financial forecasting was not published in 2015, so there is no budget achievement.

(III) Analysis of financial revenue and expenditure and profitability

Item		2015	2014	
Financial structure (%)	Ratio of liabilities to assets	42.03	48.30	
	Ratio of long-term funds to immovable property, factory and equipment	276.70	240.71	
Debt paying ability (%)	Current ratio	267.74	204.57	
	Quick ratio	182.40	127.53	
	Interest coverage ratio	5.45	2.64	
Profit structure (%)	Return on assets (ROA)		3.60%	1.43%
	Return on equity (ROE)		5.43%	1.56%
	Ratio on paid-in capital	Operating profit	16.23%	6.61%
		Profit before tax	13.74%	5.37%
	Net profit ratio		6.93%	2.04%
Basic EPS (\$)		1.26	0.35	

(IV) R&D situation

In 2015, the company inputs NT\$36,985 thousand as R&D expense. Compared with NT\$30,775 thousand of 2014, it is increased by NT\$6,210 thousand with growth ratio of 20.18%.

With Taiwan facing crossroad of shocks, we gradually move to soft power from hardware power. The five innovation plan put forward by the new government are green energy technology, biotechnology industry, Silicon Valley Asian, defense industry and wisdom machinery in which wisdom machinery is exactly the focus of **cpc**.

In the development of Linear Guide, to meet the demand of heavy load and high precision of machine tool, **cpc** actively devote to development of large heavy load and high rigidity linear guide and increase profit in improvement of process and design to cope with competitive market price. Besides, **cpc** also actively develop high technical products, such as Linear Guide in miniature size 1mm and 2mm, to meet the market needs of high precision and micro machine.

1. **cpc** starts from precision machinery (**cpc** all series of Miniature and Standard Linear Guide) and expands to Linear Motor, Driver and Sensor, with medium and long term goal of developing state-owned servo controller.
2. Through many years of R&D, it has developed TC series Linear Motor servo controller which is in a higher level than general servo motor and will step forward to all series of servo drivers including linear, rotary, AC/DC, servo controlling products from low power (400watts) to high power (2880 watts). It is expected to bring into market successively in 2016. As for position sensitive components, read head of magnetic encoder that has been developed is stepping forward to mass production stage.
3. The current linear encoder is mainly divided into optical scale and magnetic scale. Optical scale has a high absolute precision but with a relatively higher price. In some applications of point-to-point positioning, the price can be reduced by more than 1/2 if using magnetic scale with required precision. Reading head of magnetic scale owned by our own company is developed and tested at present.
4. Influenced by industry 4.0 driven by German, application concept and trend of wisdom automation and smart factory spread all over the world. Holding relevant information and trend of the global manufacturing industry and machinery market, **cpc** will devote to development of new products such as advanced mechanical

processing system. It will bring new business opportunity for company and industry with industry 4.0 plan.

II. Summary of operating plan in this year (2016)

(I) Management principles (Corporate social responsibility policy)

1. Implement information transparency, practice honest operation

- (1) Implement information transparency, practice good corporate governance.
- (2) Stick to honesty, integrity and sustainable operation, achieve **cpc** leading brand of the world.
- (3) Cultivate a filial team with mercy, international view, professional skills and high sense of honor.

2. Strengthen the awareness of environmental safety, implement environmental protection.

- (1) Strengthen the awareness of sustainable environmental safety and shape life community culture.
- (2) Provide high-quality and healthy environment and promote the harmonious relationship of the team.
- (3) Promote recycling and purification of resources, build an environment of energy conservation and waste reduction.

3. Education is morality-rooted, create a peaceful society.

- (1) Plant widely the Chinese cultural root and establish a righteous corporate.
- (2) Cultivate a team with morality and skills, become a model of corporate operation.
- (3) Fulfill corporate social responsibility, co-create a sunny and peaceful society.

(II) Expected sales volume and its basis

The company sets operating goals of the next year according to industry prosperity, economic environment and other factors, considering current operating situation of the company. With technology maintaining leading advantage continuously, the expected sales volume and amount should keep growing.

(III) Important production and marketing policies.

1. Marketing policy

- (1) Marketing with private brand **cpc** in the world.
- (2) Increase turnover of niche products.
- (3) Continuously enhance operating functions of each area.

2. Manufacturing policy

- (1) Build worldwide management mechanism and integrate group resources.
- (2) Improve productive efficiency and increase product competitiveness.

After years of efforts, consolidated inventory not only continues to decrease significantly and has reached a reasonable inventory level. The source of future revenue will mostly depend on the current operation, that is, with the improvement of turnover, capacity utilization rate will increase and product competitiveness should be higher and higher.

III. Company's future development strategy

- (I) **cpc** is based on establishing its own technology and developing its basic power, progressively providing the industry from major high-quality and competitive mechanical components(all series of Linear Guide), electric machine products (Linear Motor and Stage), to drive control components (driver, magnetic scale).
- (II) To provide products of all series Linear Guide, expecting mass production of Miniature Linear Guide in size 2mm and minimum 1mm which are mainly used in biomedical field.
- (III) To provide all size of Linear Motor and DD Motor.
- (IV) Machine tool innovation newly invested in coping industry 4.0 makes the whole processing technology and the process more flexible.
- (V) To devote to driver development which is in a higher level and has communicating functions in electronic control system is the foundation of building to independent electric control system technology. Our goal is driver controls and controller

intellectualizes, developing application products, such as robot.

- (VI) Begin to expand our hands to the development of a new generation of processing machinery and equipment coordinating industry 4.0. **cpc** will devote actively and continuously to software and hardware in industry 4.0.

cpc wants to take its root in basic product-enabling technology and develop for a long term. It is our main direction at present to improve hardware products continuously and establish our own technology integrates electrics and mechanics.

IV. Influence of external competitive environment, regulatory environment and overall business environment

- (I) External competitive environment

To cope with industrial dilemma, **cpc** positively promotes competitive products Miniature Linear Guide to improve market share. But with 50% depreciation of YEN exchange, not only Europe and neighboring Southeast Asia market place orders to Japan in turn, but also many large and medium-sized enterprises purchase from Japan instead of Taiwanese factory, leading to slow recovery of machinery and machine tool industry prosperity. With appreciation of YEN exchange recently, order-transferring effect will appear gradually. Also intelligent manufacturing has been the key of industry development. Therefore it is the best illustration of accelerated upgrading of machinery industry to establish **cpc** subsidiary in Germany in 2016 and cooperate with German technology for more development.

- (II) Regulatory environment and overall business environment

Our corporate is little affected by regulatory environment for industrial properties. But in terms of the overall business environment, because Europe and some countries carry out quantitative easing and some countries stimulate prosperity by means of depreciation, the currency exchange rate changes a lot. Our corporate will continue to collect, analyze and take appropriate safety measures to cope with the situation.

Our corporate will still stick to “deep ploughing in technology field, expanding customers’ service, positively carrying on innovations and R&D, accumulating patent resources”. The long-term accumulated advantages, profound technology, manpower and capacity for R&D and innovation will expand integrity of products, provide customers with more complete services, and then achieve the best interests for shareholders and customers, create the best career welfare for all colleagues, return the public with virtuous and skilled achievements, bring along social goodness, make everyone safe and happy and satisfied with their work and life. It is worth it definitely.

Hereby I wish all the shareholders

In good health and have a happy family!

Chairman: CHEN LI-FEN

II. Company Profile

I. Date of establishment: October 19, 1998

II. Company History

(I) Company History

Year	Important historical evolution
1998	Approved by Ministry of Economic Affairs (MOEA) and set up corporate license with paid-in capital of NT\$5,000 thousand.
1999	Put forward “R&D plan of Miniature Linear Guide” and got project grants from Industrial Technology Research Institute. Applied for “Linear motion bearings” patent to Taiwan, America, Germany and Japan. Moved into incubation center of National Cheng Kung University and carry out Industry-University collaboration with National Cheng Kung University. Apply for increased capital by cash in October, paid-in capital was increased to NT\$25,000 thousand.
2000	Moved to Rende factory and began pilot mass production. Beginning of MR9M Miniature Linear Guide mass production. Apply for increased capital by cash in April, paid-in capital was increased to NT\$41,200 thousand. Apply for increased capital by cash in September, paid-in capital was increased to NT\$99,000 thousand.
2001	Made negotiations with agents and distributors on development of domestic clients and overseas clients in the USA, Germany, the UK, Italy, Benelux, Switzerland, Israel, Singapore, Malaysia and other countries. Entered Korean market and signed the contract with Korean agent. Establishment of factory in southern science industrial park was approved by National Science Council (NSC). “Linear motion bearings” was approved by American patent. Apply for increased capital by cash in July, paid-in capital was increased to NT\$150,000 thousand.
2002	Entered Singaporean market and signed the contract with Singaporean agent. Apply for increased capital by cash in July, paid-in capital was increased to NT\$210,000 thousand (Tech stock was NT\$60,000 thousand).
2003	Started building Phase I project of the factory in Southern Taiwan Science Park. Apply for increased capital by cash in August, paid-in capital was increased to NT\$270,000 thousand. Apply for increased capital by cash in October, paid-in capital was increased to NT\$290,000 thousand. Exhibited all series of Miniature Linear Guide in Shanghai in December.
2004	Beginning of Size3Miniature Linear Guide mass production. Apply for increased capital by cash in January, paid-in capital was increased to NT\$340,000 thousand. Apply for increased capital by cash in March, paid-in capital was increased to NT\$360,000 thousand.
2005	Factory in Southern Taiwan Science Park was completed and began official mass production. Official mass production of standard Linear Guide.
2007	Mass production of AR/HR Roller type Linear Guide. Passed the ISO9001 quality certification. Carried out university-industry collaboration with mechanical engineering department of National Chung Cheng University. Applied for “R&D subsidy to early design and development of linear motor” and

Year	Important historical evolution
2007	<p>approved by Southern Taiwan Science Park Authority.</p> <p>Approved by the Ministry of National Defense and applied for personnel who serviced national defense, to cultivate R&D talents coordinating national policy.</p> <p>Beginning of Ultra-fast miniature linear guide mass production.</p> <p>Beginning of Self-lubricating miniature linear guide mass production.</p>
2008	<p>Set up cpc subsidiaries in the United States with paid-in capital of US\$300 thousand.</p> <p>Set up cpc subsidiaries in Kunshan city with paid-in capital of US\$300 thousand.</p>
2009	<p>Beginning of Ironless Series linear motor producing.</p> <p>Apply for increased capital by cash in December, paid-in capital was increased to NT\$360,560 thousand.</p>
2010	<p>Set up cpc subsidiaries in Germany with paid-in capital of EU\$69 thousand.</p> <p>cpc Kunshan applied for increased capital by cash, paid-in capital was increased to US\$ 1,000 thousand.</p> <p>Increased capital by surplus was NT\$18,028 thousand, paid-in capital was increased to NT\$378,588 thousand.</p>
2011	<p>Public issuance was approved on Jan. 17th and stocks were registered on the Emerging Stock Market on Mar. 10th.</p> <p>Increased capital by surplus was NT\$30,287 thousand, paid-in capital was increased to NT\$408,875 thousand.</p> <p>cpc Kunshan applied for increased capital by cash, paid-in capital was increased to US\$3,000 thousand.</p> <p>Apply for increased capital by cash in December, paid-in capital was increased to NT\$ 433,875 thousand.</p>
2012	<p>Purchased land of Tree Valley Park as future preparation for extension construction of plants.</p> <p>Employee stock warrant issued new shares of NT\$6,204 thousand paid-in capital was increased to NT\$440,079 thousand.</p> <p>Increased capital by surplus was NT\$44,008 thousand, paid-in capital was increased to NT\$484,087 thousand.</p> <p>Finished development plan of leading new product in “High Thrust Density Ironcore Linear Motor” approved by Ministry of Economic Affairs (MOEA).</p> <p>cpc USA applied for increased capital by cash, paid-in capital was increased to US\$1,000 thousand.</p> <p>Increased capital by cash was NT\$46,330 thousand, paid-in capital was increased to NT\$530,417 thousand.</p> <p>Buying and selling in foundation GreTai Securities Market (GTSM) since Dec. 28th.</p>
2013	<p>Employee stock warrant issued new shares of NT\$2,556 thousand, paid-in capital was increased to NT\$532,973 thousand.</p> <p>cpc USA applied for increased capital by cash, paid-in capital was increased to US\$1,660 thousand.</p> <p>cpc Europa applied for increased capital by cash, paid-in capital was increased to EU\$2,500 thousand.</p> <p>Increased capital by surplus was NT\$26,649 thousand, paid-in capital was increased to NT\$559,622 thousand.</p> <p>Official mass production of wide Roller-type Linear Guide.</p> <p>Official mass production of Self-lubricating miniature linear guide.</p>
2014	<p>Employee stock warrant issued new shares of NT\$2,464 thousand, paid-in capital was increased to NT\$562,086 thousand.</p> <p>cpc Kunshan applied for increased capital by cash, paid-in capital was increased to US\$5,100 thousand.</p> <p>Increased capital by surplus was NT\$28,104 thousand, paid-in capital was increased</p>

Year	Important historical evolution
2014	<p>to NT\$590,190 thousand.</p> <p>Employee stock warrant issued new shares of NT\$2,148 thousand, paid-in capital was increased to NT\$592,338 thousand.</p> <p>ISO14001 Environment Management System, OHSAS 18001 TOSHMS and CNS 15506 TOSHMS in Taiwan certificated.</p> <p>Passed tobacco hazard control label of healthy occupational certificate after assessed by National Health Service(NHS) of Ministry of Health and Welfare(MHW)</p> <p>Implemented treasury stock approach for the first time and expected to transfer to employees to encourage them and retain excellent talents.</p> <p>Comprehensive mass production of LM-CORE series Ironcore Linear Motor.</p> <p>Official mass production of CLS-Compact Linear Motor Stage.</p> <p>Released ARR/HRR/LRR Standard 4-Row Roller-type Linear Guide.</p>
2015	<p>New products such as Roller-type Linear Guide, Ironcore Linear Motor, CLS-Linear Motor stage, Linear Motor servo drives were released for the first time in Taipei International Machine Tool Show (TIMTOS) of 2015.</p> <p>Official mass production of TC1 AC-Linear Motor server and driver.</p> <p>Official mass production of CLMS-Ironcore Linear Motor Stage.</p>
2016	<p>MMLS-Linear Motor Stage</p> <p>Established CSM Maschinen GmbH with paid-in capital of EU\$25 thousand, cpc holding 80% shares.</p>

(II) Situation of corporate merger and acquisition, Enterprises which are established with transferred investment and reforming in the most recent fiscal year and by the printing date of annual report:

1. In 2015 and by the printing date of annual report, there is no plan to merger or acquisition of other corporates. If any in the future, we will take it cautiously, considering concrete effects brought for our corporate to ensure rights and interests of original shareholders.
2. Enterprises which are established with transferred investment in 2015 and by the printing date of annual report:
To positively develop new products, our corporate has already been approved by board of directors in January 29,2016 to establish subsidiaries through transferred investment, with stockholding ratio of 80% and will formally establish CSM Maschinen GmbH in March, 2016, expecting to open a new field for **cpc** after completed and be of great help to operation revenue.
3. Reforming in 2015 and by the printing date of annual report: None.

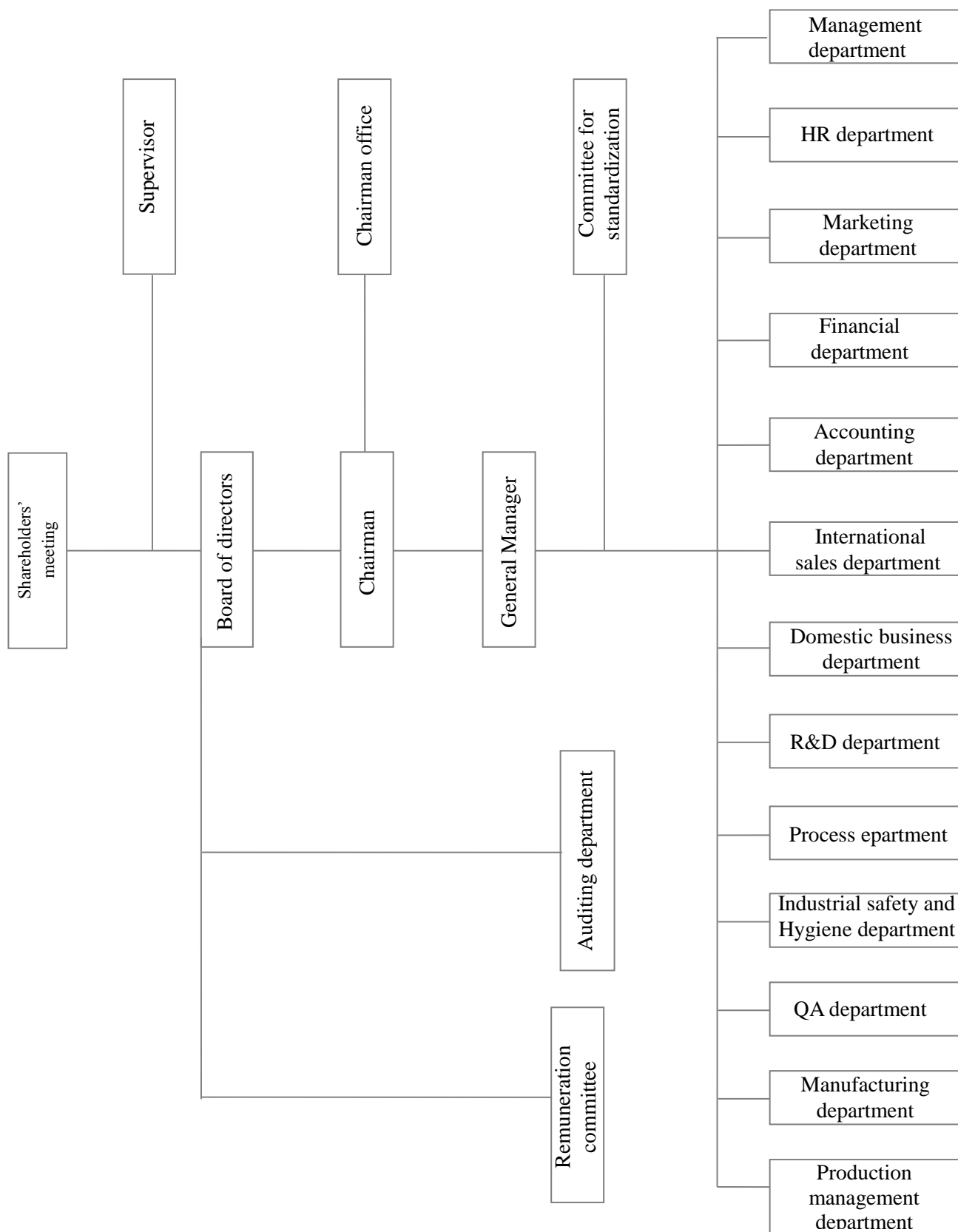
(III) Mass transfer or changes of shares of directors, supervisors and shareholders with more than 10% shares, changes of business rights, important changes of operation modes or business content, and other important matters than can influence shareholders' equity or company, and other information of previous year that can influence corporate development, all these above shall be exposed.

1. Mass transfer or changes of shares of directors, supervisors and shareholders with more than 10% shares:
 - (1) There are no shareholders with more than 10% shares in our corporate by the printing date of annual report.
 - (2) All the directors and supervisors of our corporate are supporters of corporate operation, so there is no mass transfer of share and major influence to corporate finances or businesses in 2015 and by the printing date of annual report.
2. Changes of business rights, important changes of operation modes or business content: None.
3. Other important matters than can influence shareholders' equity or company: None.

III. Corporate Governance Report

I. Organization System

(I) Organization Structure



(II) The business of each major department

Major department	Main business
Chairman dept.	<ol style="list-style-type: none"> 1. To set up outstanding cpc international brand management. 2. To integrate friendly relationship among matching manufacturers in international market. 3. To fulfill the righteous social responsibility and environmental humanistic responsibility. 4. To promote social responsibility and honest operation of the corporate. 5. To pursue the maximum benefit for all shareholders and corporate permanent development.
Auditing dept.	<ol style="list-style-type: none"> 1. To draft and implement each auditing policy and procedure of the company. 2. To draft annual overall auditing plan. 3. To audit and check the implementation of internal control in each department, to provide improvement suggestion, to track defects and recheck.
Compensation committee	<ol style="list-style-type: none"> 1. To draft recommendation of salary and compensation for board directors, supervisors and managers and regular assessment report. 2. To draft and review regularly the performance evaluation of board directors, supervisors and managers. 3. To draft and review regularly salary and compensation policy, system, standard and structure of our company.
Standardization committee	<ol style="list-style-type: none"> 1. To check if the format and content of standardization documents proposed by each application unit conform to ISO 9001 quality system, environmental system and other systems of the company or not. 2. To review and discuss the content of standardization documents to make the standard accord with actual demand. 3. Planning, adjustment, auditing, improvement and other activity management of ISO 9001 quality management system (QMS). 4. To promote and manage quality objectives. 5. To assist management representatives convene management examination meetings.
Management dept.	<ol style="list-style-type: none"> 1. Purchasing section: <ol style="list-style-type: none"> (1) To make purchasing plan. (2) Development, assessment and management of new subcontractor or outsourcing manufacturer. (3) Inquiry, price comparison, bargaining and contracting of purchasing. (4) Domestic and overseas purchasing. (5) Coordination with subcontractor or outsourcing manufacturer. 2. Information section: <ol style="list-style-type: none"> (1) To maintain and plan network host of the company. (2) Planning, setting-up and basic maintenance of hardware circuit. (3) Planning and implementation of software. (4) To check system data and its use. (5) To backup data and maintain database regularly. (6) To coordinate and promote computerized operations. (7) Education and training of company informatization. (8) ERP system maintenance, development and design of report. 3. General affairs section: <ol style="list-style-type: none"> (1) Management and handling of staff meals and general affairs. (2) Management of transactional fixed assets and tools. 4. Factory affairs section: <ol style="list-style-type: none"> (1) To ensure normal water supply and quality of air-compressor and air-conditioner.

Major department	Main business
Management dept.	<ul style="list-style-type: none"> (2) To ensure smooth operation of firefighting system, watering and foaming. (3) Wastewater system maintenance and wastewater treatment. (4) To ensure supply and smooth operation of power system of the factor area. (5) Mechanical and electrical maintenance and improvement plan of the factory area.
HR dept.	<ul style="list-style-type: none"> 1. To draft each related HR Management System and development. 2. Personnel recruitment, selection, appointment, cultivation and retention and development. 3. Planning and implementation of education and training. 4. Salary management and welfare system. 5. Performance assessment and evaluation. 6. Management and improvement of harmonious labor-capital relations.
Marketing dept.	<ul style="list-style-type: none"> 1. Design, maintenance and management of company website. 2. Catalogue, advertising, propaganda and other graphic design. 3. Arrangement and design of exhibition. 4. Design of company overall image. 5. Application and promotion of each product.
Financial dept.	<ul style="list-style-type: none"> 1. Banking transactions handling. 2. Safekeeping of cash, receipts, and negotiable securities, issuance and recording of income and expenses. 3. Analysis of financial operating plan, capital budgeting, fund rising and procurement. 4. To supervise and assist fund raising, procurement and management of subsidiaries.
Accounting dept.	<p>General accounting section:</p> <ul style="list-style-type: none"> (1) Recording and voucher of accounting transaction, safekeeping of accounting documents. (2) Safekeeping of cash and receipts, issuance and recording of income and expenses. (3) Management of account receivable and payable and general ledger. (4) Management and control of company income and expenses. (5) Fixed assets management, tax treatment and Investment allowance handling. (6) Drafting and implementation of accounting statement. (7) Handling tax declaration. (8) withholding, reporting and paying of income tax (9) Handling and management of bounded affairs. (10) Handling the changes of industrial and commercial registration. (11) Financial management of subsidiaries. (12) Affairs of the board of directors and board of shareholders. (13) Cooperating work audited by accountant. <p>Cost section:</p> <ul style="list-style-type: none"> (1) Calculation and analysis of product cost. (2) Management of storing, purchasing and consumption of inventory. (3) Inventory checking of raw material, semi-finished products, WIP and finished products. (4) Analysis, budgeting and management of company operation plan. (5) Preparation and analysis of management report (6) Tax declaration of scraped products. (7) Cooperating work audited by accountant.
International sales dept.	<ul style="list-style-type: none"> 1. Drafting and implementation of performance objectives. 2. Business marketing. 3. Deliberation of project contract

Major department	Main business
International sales dept.	<ol style="list-style-type: none"> 4. Resolution, feedback and tracking of customer service. 5. Drafting and Tracking of production and marketing prediction. 6. Market research. 7. Inventory control among subsidiaries. 8. Accounts receivable collection.
Domestic business dept.	<ol style="list-style-type: none"> 1. Drafting and implementation of marketing plan. 2. Resolution and feedback of customer service. 3. Review and control of contract and order. 4. Drafting and tracking of production and marketing prediction. 5. Drafting and implementation of advertisement marketing strategy. 6. Information collection and analysis of the market and the same industry. 8. Accounts receivable collection.
R&D dept.	<ol style="list-style-type: none"> 1. Search and analysis of products and patents of competitors. 2. Development, design and patent application of new products. 3. To plan new rules for new products and analyze R&D technology of new products. 4. Function improvement of current products. 5. Audit and recognition of outsourcing components. 6. Sample making and functional testing, design of testing machine and measuring tools. 7. Introduction of trial production of new products. 8. Testing and application of product safety and other regulations.
Process dept.	<ol style="list-style-type: none"> 1. Technological development section: <ol style="list-style-type: none"> (1) Development of production technology. (2) Capacity planning and standard labor time making. (3) Processing and mechanical equipment SOP making. (4) Cost analysis. (5) Development and maintenance of machineries and fixtures. 2. Mechanical equipment section: <ol style="list-style-type: none"> (1) Repair and maintenance of mechanical equipment. (2) Development and improvement of mechanical equipment. (3) Spare parts purchasing and standbys management.
Industrial safety and Hygiene dept.	<ol style="list-style-type: none"> 1. Establishment, promotion and maintenance of ISO14001 Environmental Management System, OHSAS18001 Occupational Safety and Health Management System (TOSHMS) and CNS15506 TOSHMS in Taiwan. 2. Recognition, assessment and control of working environment or operation hazard. 3. Management of machineries, equipment and appliance. 4. Classification, marking, general knowledge and management of hazardous chemical. 5. Strategic planning and monitoring of sampling in hazardous operation environment. 6. Processing in dangerous workplace and construction safety assessment. 7. Management of purchasing, contracting and change. 8. Operation standard for safety and health. 9. Regular check, emphasized check, operation check, site inspection and 6S management. 10. Education and training of safety and health. 11. Management of personal protective equipment. 12. Health examination, management and improvement. 13. Collection, sharing and application of safety and health information. 14. Emergency Measures. 15. Investigation, settlement and statistical analysis of occupational

Major department	Main business
Industrial safety and Hygiene dept.	<p>accidents, near misses and incidents that affect physical and psychological health.</p> <p>16. Management records and performance evaluation measures of safety and health.</p> <p>17. Other management measures of safety and health.</p>
QA dept.	<p>1. Implementation of quality policy, implementation and correction of quality system and operation procedure.</p> <p>2. To carry out and maintain related responsibilities regulated by quality system.</p> <p>3. To assist and solve customers' problems.</p> <p>4. Precautionary measures, reason analysis, countermeasures drafting, follow-up processing and tracking confirmation of abnormal quality incidents.</p> <p>5. Drafting of calibration plan, management of inspection and testing equipment, implementation of internal calibration and control of external calibration.</p> <p>6. Responding, handling and tracking of customers' complaints.</p> <p>7. Inspection and judgment of incoming material, processing, finished products before shipment.</p>
Manufacturing dept.	<p>1. Implementation and control of production line planning and scheduling.</p> <p>2. Improve production efficiency, technology and quality of finished products.</p> <p>3. Control and improvement of product yield.</p> <p>4. Quality abnormal reaction and implementation of improvement.</p> <p>5. Maintenance and adjustment of manufacturing equipment and instruments.</p> <p>6. Manpower training and employment plan and performance assessment</p>
Product management dept.	<p>1. Product management section:</p> <p>(1) Annual production and marketing planning.</p> <p>(2) Goal setting and MOC (management of change) of production planning.</p> <p>(3) Implementation of production planning, coordination of production, marketing and delivery.</p> <p>(4) Requirement, purchasing, allocation and control of production materials.</p> <p>2. Warehouse management section:</p> <p>(1) Inventory management (including finished products, semi-finished products, WIP, raw materials, accessories).</p> <p>(2) Receiving and dispatching of material and finished products.</p> <p>(3) Checking.</p> <p>(4) Requirement and control of material, improve inventory turnover ratio.</p> <p>(5) Ensuring proper warehousing and shipping.</p>

II. Data of Board Directors, Supervisors, General Manager, Vice-General Manager, Assistant Manager and Directors of Each Department and Each Branch

(I) Board directors and supervisors

1. Data of board directors and supervisors

May 16, 2016

Job Title	Nationality or Place of Registry	Name	Date of Election	Tenure of Office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship		
						Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
Chairman and Chief Strategy Officer	The Republic of China	CHEN LI-FEN	June 6, 2104	3 years	October 14, 1998	2,370,879	4.22%	2,528,186	4.27%	4,194,906	7.08%	0	0	Art History of Universität Stuttgart	Chief Strategy Officer of Chieftek Precision CO., Ltd., Chairman of Deneng Sunshine Investment Co., Ltd, Chairman of Deyuan Management Consulting Co., Ltd, Board Director of Ever Advanced Precision Technologies Co., Ltd., Chairman of Zhenshanmeihui Investment Co., Ltd, Board Director of Sunshine Bio Technology Co., Ltd, Vice Chairman of The Allied Association for Science Park Industries, Vice Chairman of Sino-German Cultural and Economic Association, Standing Director of Academia-Industry Consortium for Southern Taiwan Science Park, Founding President of National Cheng Kung University Innovation & Incubation Association and Member of Tainan Industrial Development & Investment Promotion Committee (Note 2)	Board Director, General Manager and R&D Supervisor	HSU MING-CHE	Spouse
Board Director, General	The Republic of China	HSU MING-CHE	June 6, 2104	3 years	October 14, 1998	3,652,646	6.50%	3,864,478	6.52%	2,858,614	4.83%	0	0	Master of Mechanical Engineering of Universität Stuttgart	General Manager and R&D Supervisor of Chieftek Precision CO., Ltd.	Board Chairman and Chief	CHEN LI-FEN	Spouse

Job Title	Nationality or Place of Registry	Name	Date of Election	Tenure of Office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship		
						Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
Manager and R&D Supervisor																Strategy Officer		
Board Director	The Republic of China	TSO YUAN-HUAI	June 6, 2014 (Note 3)	3 years	November 17, 2006	859,138	1.53%	914,694	1.54%	434,774	0.73%	0	0	Doctor of Physical Science of Yeshiva University	Board Director of Deneng Sunshine Investment Co., Ltd	Nil	Nil	Nil
Board Director	The Republic of China	CHENG SHENG-FEN	June 6, 2104	3 years	December 30, 2004	340,540	0.61%	357,567	0.60%	1,294,291	2.19%	0	0	Master of Mechanical Engineering of National Taiwan University, Assistant Manager of Jianxing Electronics Co., Ltd and Vice-General Manager of A-OPTRONICS Co., Ltd.	Nil	Nil	Nil	
Board Director	The Republic of China	WANG CHEN-PI-HSIA	June 6, 2104	3 years	December 30, 2004	451,339	0.80%	428,905	0.72%	81,184	0.14%	0	0	Provincial Tainan Girls' Senior High School	Chairman of Yucheng Starch Co., Ltd, Board Director of Deyuan Management Consulting Co., Ltd and Supervisor of ST&T Instrument Corp.	Nil	Nil	Nil
Independent Director	The Republic of China	CHEN-SHU	June 6, 2104	3 years	June 6, 2104	0	0	0	0	0	0	0	0	Master of National Chengchi University Institute for Fiscal Studies, Doctor of National Taiwan University College of Management, Chairman of Financial Supervisory Commission, Permanent Secretary of Ministry of Finance, Chairman of Taiwan Stock Exchange Corporation, Chairman	Professor of Chinese Culture University, Professor of National Chengchi University and Independent Director of Taiwan Pelican Express Co., LTD	Nil	Nil	Nil

Job Title	Nationality or Place of Registry	Name	Date of Election	Tenure of Office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship		
						Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
														and Dean of Taiwan Academy of Banking and Finance, Chairman of GreTai Securities Market, Chairman of Securities & Futures Institute, Director General of Corporate Governance Association and Chairman of Accounting Research and Development Foundation in Taiwan				
Independent Director	The Republic of China	WU CHUNG-JEN	June 6, 2104	3 years	June 17, 2011	19,397	0.03%	20,366	0.03%	0	0	0	0	Doctor of Chemical Engineering of National Cheng Kung University, Researcher of Industrial Technology Research Institute Union Chemical Laboratories, Project Manager of National Cheng-kung University Business Incubation Center, Vice Director of Technology Transfer & Business Incubation Center of National Cheng Kung University, Executive Manager of Incubator Center of Southern Taiwan Science Park and Division Head of Legal & Intellectual Property General	Chairman of CHIH RO ENTERPRISE CO.,LTD and Chairman of YYC Material Technology CO.,LTD	Nil	Nil	Nil

Job Title	Nationality or Place of Registry	Name	Date of Election	Tenure of Office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship		
						Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
														Division, ChungHwa Picture Tubes, LTD.				
Independent Director	The Republic of China	WEI NAI-CHANG	June 6, 2104	3 years	June 17, 2011	0	0	0	0	0	0	0	0	Master of National Chiao Tung University Institute of Business & Management, Audit Team Leader of PwC Taiwan, Accounting Officer of Foresight Energy Technologies Development Co., Ltd, Accountant and Administration Manager of Taiwan Intervet Animal Drug Co., Ltd, CFO of Ambit Microsystems, Vice-General Manager of Clevo Co. Management Center	Nil	Nil	Nil	Nil
Supervisor	The Republic of China	KUANG HSI-HUI	June 6, 2104	3 years	December 30, 2004	149,065	0.27%	156,518	0.26%	0	0	0	0	Bachelor of Fu Jen Catholic University Department of Accounting	Supervisor of Deneng Sunshine Investment Co., Ltd, Deyuan Management Consulting Co., Ltd, Zhenshanmeihui Investment Co., Ltd and Sunshine Bio Technology Co., Ltd	Nil	Nil	Nil
Supervisor	The Republic of China	LI MEI	June 6, 2104	2 年	June 20, 2012	441,580	0.79%	445,659	0.75%	0	0	0	0	JRJJ Food Nutrition Department, Vice-General manager of Shida Tongyun Co., Ltd (General Agent of Lufthansa Cargo) and General Manager of SITA WORLD	Nil	Nil	Nil	Nil

Job Title	Nationality or Place of Registry	Name	Date of Election	Tenure of Office	Date of First Election	Shareholdings during election		Present Shareholdings		Present Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/ Education Background	Post concurrently occupied in the company and other companies at present	Other directors, board directors or supervisors with the relationship of spouse or that within the second degree of kinship		
						Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Job Title	Name	Relation
														TRAVEL				
Supervisor	The Republic of China	TSENG HSU-WEN	June 6, 2104	3 years	June 17, 2011	41,406	0.07%	43,476	0.07%	0	0	0	0	Bachelor of National Cheng Kung University Department of Business Administration and Director of General Manager Room Planning Group of Teco Electric & Machinery Co., Ltd.	Nil	Nil	Nil	Nil

Note 1: Board directors and supervisors of the company didn't take office in CPA Firm or its affiliated enterprise during the past year.

Note 2: Posts concurrently occupied in the company and other companies at present by Chairman CHEN LI-FEN include: Board Director of subsidiary corporations like CHIEFTEK PRECISION HOLDING CO., LTD., cpc Europa GmbH, Chieftek Precision (Hong Kong) Co., Limited, CHIEFTEK PRECISION USA CO., LTD, CHIEFTEK Machinery(Kunshan) Co., Ltd and CSM Maschinen GmbH.

Note 3: Mr. TSO YUAN-HUAI- Board Director of the company was naturally dismissed on July 24, 2015 due to dying of illness.

2. Specialized knowledge and independence situation of board directors and supervisors:

May 16, 2016

Condition	Whether having work experience with over 5 years and the following professional qualifications			Independence situations (Note)										Number of independent director concurrently occupied in other public offering companies
	Lecturer or above of public and private colleges and universities in academic department of business, legal affair, finance, accounting or that required by the company business.	Judge, procurator, lawyer, accountant or other special professions and technicians passing the national examination and obtaining certificates required by the company business	Work experience of business, legal affair, finance, accounting or that required by the company business.	1	2	3	4	5	6	7	8	9	10	
Name														
CHEN LI-FEN			✓					✓	✓	✓		✓	✓	Nil
HSU MING-CHE			✓					✓	✓	✓		✓	✓	Nil
TSO YUAN-HUAI			✓	✓				✓	✓	✓	✓	✓	✓	Nil
CHENG SHENG-FEN			✓	✓				✓	✓	✓	✓	✓	✓	Nil
WANG CHEN PI-HSIA			✓	✓		✓		✓	✓	✓	✓	✓	✓	Nil
CHEN-SHU	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
WU CHUNG-JEN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
WEI NAI-CHANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil
KUANG HSI-HUI			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	Nil
LI MEI			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	Nil
TSENG HSU-WEN			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	Nil

Notes:

- (1) Employees who don't belong to the company or its affiliated enterprises.
- (2) Board directors and supervisors who don't belong to the company or its affiliated enterprises (independent directors who belong to the company or its parent company, or the subsidiary for whom the company directly and indirectly holds the voting power and holds more than 50% of stocks shall not be subject to this limit).
- (3) Not the person, his/her spouse and minor children, or natural person shareholders who hold in the name of others over 1% of the issued shares of the company or whose shareholding ranks top 10.
- (4) Spouse and direct lineal relatives within the second degree of kinship or the third degree of kinship who don't belong to the personnel listed in the first three items.
- (5) Board directors, supervisors or employees of corporate shareholders who don't directly hold more than 5% of issued shares of the company or whose shareholding ranks top 5.
- (6) Board directors, supervisors, managers or shareholders holding over 5% of shares in specific companies or institutions who don't have financial or business transaction with the company.
- (7) Entrepreneurs, partner, board directors, supervisors, managers and his/her spouse in the sole or partnership company or institution and professionals who don't provide business, legal affair, finance, accounting and other services or consultations for the company or its affiliated enterprises. But the Compensation Committee members who perform duties according to Article 7 of Setting and Duties Execution Methods of Compensation Committee of Listed Companies or Companies Doing Transaction in Securities Dealer Business Place shall not be subject to this limit.
- (8) Do not have the relationship of spouse or the second degree of kinship with other board directors.
- (9) Do not have any of various situations in Article 30 of the Company Law.
- (10) Do not have the situation that government, legal person or his representative is elected as stipulated in Article 27 of the Company Law.

3. Principal shareholder of corporate shareholder: no such situation.

4. As to that principal shareholder of corporate shareholder is legal person, its principal shareholders: No such situation.

(II) Data of general manager, vice-general manager, assistant manager and directors of each department and each branch

May 16, 2016

Job Title	Nationality	Name	Date of Election	Shareholdings		Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/Education Background	Post concurrently occupied in other companies at present	Manager with the relationship of spouse or that within the second degree of kinship		
				Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Job Title	Name	Relation
Chief Strategy Officer	The Republic of China	CHEN LI-FEN	October 19, 1998	2,528,186	4.27%	4,194,906	7.08%	0	0	Art History of Universität Stuttgart	Chairman of Deneng Sunshine Investment Co., Ltd, Chairman of Deyuan Management Consulting Co., Ltd, Board Director of Ever Advanced Precision Technologies Co., Ltd., Chairman of Zhenshanmeihui Investment Co., Ltd, Board Director of Sunshine Bio Technology Co., Ltd, Vice Chairman of The Allied Association for Science Park Industries, Vice Chairman of Sino-German Cultural and Economic Association, Standing Director of Academia-Industry Consortium for Southern Taiwan Science Park, Founding President of National Cheng Kung University Innovation & Incubation Association and Member of Tainan Industrial Development & Investment Promotion Committee	General Manager and R&D Supervisor	HSU MING-CHEN	Spouse
General Manager and R&D Supervisor	The Republic of China	HSU MING-CHEN	October 19, 1998	3,864,478	6.50%	2,858,614	4.83%	0	0	Master of Mechanical Engineering of Universität Stuttgart	Nil	Chairman and Chief Strategy Officer	CHEN LI-FEN	Spouse
Vice-General Manager of Domestic Business Department	The Republic of China	CHEN MIN-CHANG	March 12, 2014	75,163	0.13%	0	0	0	0	WYGL Textile Machinery Department; Manager of Domestic Business Department of Chieftek Precision CO., Ltd.	General Manager of CHIEFTEK Machinery (Kunshan) Co., Ltd	Nil	Nil	Nil
Assistant Manager of International Sales Department	The Republic of China	PENG CHIUNG-YIN	December 17, 2010	353,273	0.60%	0	0	0	0	German Department of Universität Trier	Assistant Business Manager of cpc Europa GmbH	Nil	Nil	Nil
Chief Financial Officer	The Republic of China	LI PAI-TSANG	June 8, 2012	6,300	0.01%	0	0	0	0	NCKU Department of Accountancy; Financial Manager of Univacco Technology Inc.	Supervisor of CHIEFTEK Machinery(Kunshan) Co., Ltd	Nil	Nil	Nil

Job Title	Nationality	Name	Date of Election	Shareholdings		Shareholdings of the Spouse and Minor Children		Shareholdings in the Name of Others		Main Experience/Education Background	Post concurrently occupied in other companies at present	Manager with the relationship of spouse or that within the second degree of kinship		
				Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Job Title	Name	Relation
Accounting Manager	The Republic of China	HSU CHUN-MIN	February 1, 2013	35,983	0.06%	0	0	0	0	Tunghu University, Department of Accounting; Assistant Accounting Manager of Elitegroup Computer Systems Co., Ltd.; Accounting Manager of Bangcheng Electronic Technology Co., LTD	Nil	Nil	Nil	Nil
HR manager	The Republic of China	YEH CHING-CHING	July 7, 2011	365,621	0.62%	0	0	0	0	German Language Teaching Department of Universität Trier	Nil	Nil	Nil	Nil
Manager of Linear Motor Product	The Republic of China	WU HSUAN-CHUN	March 31, 2105	2,000	0%	0	0	0	0	National Cheng Kung University, Department of Mechanical Engineering; Linear Motor Section Manager of Chieftek Precision CO., Ltd.	Nil	Nil	Nil	Nil
R&D Manager of Electronic Control	The Republic of China	FANG SHAO-KUANG	April 1, 2105	6,457	0.01%	0	0	0	0	Master of University of Queensland Engineering Science	Nil	Nil	Nil	Nil
Audit Supervisor	The Republic of China	CHENG HSIU-YU-HEH	September 24, 2010	1,307	0%	0	0	0	0	Department of Accounting Information of Kun Shan University of Technology; Chief Accountant of Catcher Technology Co., Ltd.; Financial Attache of Xinshichang Metal Co., Ltd; Auditor of Haoji Certified Public Accountants	Nil	Nil	Nil	Nil

Note 1: General Manager, Vice-General Manager, Assistant Manager and Directors of Each Department and Each Branch of the company didn't take office in CPA Firm or its affiliated enterprise during the past year.

Note 2: Posts concurrently occupied in the company and other companies at present by Chairman CHEN LI-FEN include: Board Director of subsidiary corporations like CHIEFTEK PRECISION HOLDING CO., LTD., cpc Europa GmbH, Chieftek Precision (Hong Kong) Co., Limited, CHIEFTEK PRECISION USA CO., LTD, CHIEFTEK Machinery (Kunshan) Co., Ltd and CSM Maschinen GmbH.

(III) Remuneration paid to board director (independent director), supervisor, general manager and vice-general manager in the most recent fiscal year

1. Remuneration paid to board directors (independent directors)

Unit: NT\$ In thousand/Share in thousand

Job Title	Name	Director's remuneration								Proportion of total amount of A, B, C and D in profit after tax (%)		Remuneration received by employees concurrently served								Proportion of total amount of the first seven items (A, B, C, D, E, F and G) in profit after tax (%)		Whether receiving the remuneration from re-investment career beyond the subsidiary company					
		Remuneration (A)		Resignation retirement pay(B)		Director's remuneration (C)		Business execution cost (D)				Salary, bonus, extraneous charges, etc. (E)		Resignation retirement pay(F)		Employee rewards(G)							Subscribed shares on employee stock option certificates (H) Note 1		New shares gained to limit the right of employees		
		The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount	The company	All companies in the financial reports		The company	All companies in the financial reports	The company	All companies in the financial reports	
Chairman and Chief Strategy Officer	CHEN LI-FEN																										
Board Director, General Manager and R&D Supervisor	HSU MING-CHE																										
Board Director	TSO YUAN-HUA I	0	0	0	0	1,541	1,541	204	204	2.47%	2.47%	7,286	7,286	0	0	762	0	762	0	0	0	0	0	0	13.84%	13.84%	Nil
Board Director	CHENG SHENG-FEN																										
Board Director	WANG CHEN PI-HSIA																										
Independent Director	CHEN-SHU																										
Independent Director	WU CHUNG-JEN																										
Independent Director	WEI NAI-CHANG																										

Note 1: It refers to subscribed shares (excluding the executed part) on employee stock option certificates that board directors with additional post of employees (including general manager, vice-general manager, other managers and employees) gain as of the date of annual report print.

Note 2: Employee rewards and directors remuneration in 2015 proposed and distributed by board of directors, which haven't been adopted by the decision of shareholders' meeting.

Note 3: Remuneration and salary are calculated by salary and meal allowance. Note 4: Business execution fee means traffic allowance.

Remuneration Interval Table

Interval of remuneration paid to each board director of the company	Names of board directors			
	Total amount of remuneration of the first four items (A+B+C+D)		Total amount of remuneration of the first seven items (A+B+C+D+E+F+G)	
	The company	All companies in the financial reports	The company	All companies in the financial reports
<NT\$2,000,000 dollars	CHEN LI-FEN, HSU MING-CHE, TSO YUAN-HUAI, CHENG SHENG-FEN, WANG CHEN PI-HSIA, CHEN SHU, WU CHUNG-JEN and WEI NAI-CHANG	CHEN LI-FEN,, HSU MING-CHE, TSO YUAN-HUAI,, CHENG SHENG-FEN, WANG CHEN PI-HSIA, CHEN SHU, WU CHUNG-JEN and WEI NAI-CHANG	TSO YUAN-HUAI, CHENG SHENG-FEN, WANG CHEN PI-HSIA, CHEN SHU, WU CHUNG-JEN and WEI NAI-CHANG	TSO YUAN-HUAI, CHENG SHENG-FEN, WANG CHEN PI-HSIA, CHEN SHU, WU CHUNG-JEN and WEI NAI-CHANG
NT\$2,000,000 dollars (included)~5,000,000 dollars (excluding)	0	0	CHEN LI-FEN and HSU MING-CHE	CHEN LI-FEN and HSU MING-CHE
NT\$5,000,000 dollars (included)~10,000,000 dollars (excluding)	0	0	0	0
NT\$10,000,000 dollars (included)~15,000,000 dollars (excluding)	0	0	0	0
NT\$15,000,000 dollars (included)~30,000,000 dollars (excluding)	0	0	0	0
NT\$30,000,000 (included)~50,000,000 dollars (excluding)	0	0	0	0
NT\$50,000,000 dollars (included)~100,000,000 dollars (excluding)	0	0	0	0
NT\$100,000,000 dollars (included) or above	0	0	0	0
In total	8 people	8 people	8 people	8 people

2. Remuneration of supervisors

Unit:NT\$ in thousand

Job Title	Name	Remuneration of supervisors						Proportion of total amount of the first three items (A, B and C) in profit after tax (%)		Whether receiving the remuneration from re-investment career beyond the subsidiary company
		Remuneration (A)		Remuneration (B)		Business execution fee (C)				
		The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	
Supervisor	KUANG HSI-HUI									Nil
Supervisor with independent functions	TSENG HSU-WEN	0	0	1,028	1,028	90	90	1.58%	1.58%	
Supervisor	LI MEI									

Note 1: Board directors and supervisors remuneration in 2015 proposed and distributed by board of directors, which haven't been adopted by the decision of shareholders' meeting.

Note 2: Business execution fee means traffic allowance.

Remuneration Interval Table

Interval of remuneration paid to each supervisor of the company	Names of supervisors	
	Total amount of emuneration of the first three items (A+B+C)	
	The company	All companies in the financial reports(D)
<NT\$2,000,000 dollars	KUANG HSI-HUI, TSENG HSU-WEN and LI MEI	KUANG HSI-HUI, TSENG HSU-WEN and LI MEI
NT\$2,000,000 dollars (included)~5,000,000 dollars (excluding)	0	0
NT\$5,000,000 dollars (included)~10,000,000 dollars (excluding)	0	0
NT\$10,000,000 dollars (included)~15,000,000 dollars (excluding)	0	0
NT\$15,000,000 dollars (included)~30,000,000 dollars (excluding)	0	0
NT\$30,000,000 dollars (included)~50,000,000 dollars (excluding)	0	0
NT\$50,000,000 dollars (included)~100,000,000 dollars (excluding)	0	0
NT\$100,000,000 dollars (included) or above	0	0
In total	3 people	3 people

3. Remuneration of general managers and vice-general managers

Unit: NT\$ in thousand

Job Title	Name	Salary (A)		Resignation retirement pay(B)		Bonus, extraneous charges, etc.(C)		Employee rewards(D)				Proportion of total amount of the first four items (A, B, C and D) in profit after tax (%)		Amounting gaining the employee stock option certificates		New shares gained to limit the right of employees		Whether receiving the remuneration from re-investment career beyond the subsidiary company	
		The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports	The company		All companies in the financial reports		The company	All companies in the financial reports	The company	All companies in the financial reports	The company	All companies in the financial reports		
								Cash dividend amount	Stock dividend amount	Cash dividend amount	Stock dividend amount								
General manager	HSU MING-CHE																		
Vice-General Manager of Domestic Business Department	CHEN MIN-CHANG	4,759	5,581	0	0	450	450	640	0	640	0	8.26%	9.42%	0	0	0	0	Nil	

Remuneration Interval Table

Interval of remuneration paid to each general manager and vice-general manager of the company	Names of general managers and vice-general managers	
	The company	All companies in the financial reports
<NT\$2,000,000 dollars	0	0
NT\$2,000,000 dollars (included)~5,000,000 dollars (excluding)	HSU MING-CHE and CHEN MIN-CHANG	HSU MING-CHE and CHEN MIN-CHANG
NT\$5,000,000 dollars (included)~10,000,000 dollars (excluding)	0	0
NT\$10,000,000 dollars (included)~15,000,000 dollars (excluding)	0	0
NT\$15,000,000 dollars (included)~30,000,000 dollars (excluding)	0	0
NT\$30,000,000 dollars (included)~50,000,000 dollars (excluding)	0	0
NT\$50,000,000 dollars (included)~100,000,000 dollars (excluding)	0	0
NT\$100,000,000 dollars or above	0	0
In total	2 people	2 people

4. Name of managers distributing employee rewards and distribution situation

Unit: NT\$ in thousand

	Job Title	Name	Stock amount	Cash amount	In total	Proportion of total amount in profit after tax (%)
Manager	Chief Strategy Officer	CHEN LI-FEN	0	1,341	1,341	1.89%
	General Manager and R&D Supervisor	HSU MING-CHE				
	Vice-General Manager of Domestic Business Department	CHEN MIN-CHANG				
	Assistant Manager of International Sales Department	PENG CHIUNG-YIN				
	Chief Financial Officer	LI PAI-TSANG				

(IV) Respectively compare and describe the analysis on proportion of the total amount of remuneration paid to board directors, supervisors, general manager and vice-general manager in recent two years by the company and all companies of consolidated statements in profit after tax of individual financial reports, and state the relevance among remuneration payment policy, standard and combination, procedure of remuneration setting and business performance and future risk:

1. Analysis on the proportion of the total amount of remuneration paid to board directors, supervisors, general manager and vice-general manager in recent two years by the company and all companies of consolidated statements in profit after tax of individual financial reports:

Summary	2015		2014	
	Proportion in profit after tax (%)		Proportion in profit after tax (%)	
	The company	All companies in the financial reports	The company	All companies in the financial reports
Board Director	13.84%	13.84%	36.73%	36.73%
Supervisor	1.58%	1.58%	1.39%	1.39%
General Manager and Vice-General Manager	8.26%	9.42%	21.57%	25.43%

2. Relevance among remuneration payment policy, standard and combination, procedure of remuneration setting and business performance and future risk:

(1) Remuneration of board directors and supervisors of the company is propounded to the board of directors for reference of decision-making by the Compensation Committee after

related meeting and discussion are made, and is negotiated and discussed by the board of directors based on the participation degree and contribution of board directors and supervisors for the company operation as well as the level in the same business.

- (2) Appointment, dismissal and remuneration of general manager and vice-general manager of the company are handled according to relevant regulations of the company, remuneration payment standard is submitted to the Compensation Committee for review by HR Department in accordance with related regulations of personnel performance evaluation in the company, individual performance, contribution degree for the entire company operation as well as the level in the same business, then sent to the board of directors, and finally executed after passed through discussion.
- (3) Remuneration policy of the company:
- A: Personal ability, contribution degree for the company and performance are positively correlated with the business performance, and future risk are considered, controlled and managed, so the relevance between remuneration policy and future risk is relatively low.
- B: Overall salary combination mainly includes fixed salary, short-term incentive reward (such as performance bonus and employee stock bonus) and long-term incentive compensation (such as employee stock option certificates and transfer of treasury stock to employees)

III. Company Management and Operation Situation(A)

(I) Information of operation situation of the board of directors: 5 meetings were held by the board of directors in 2015, and attendance situation of board directors and supervisors is as follows:

Job Title	Name	Actual attendance time (B)	Entrusted attendance time	Actual attendance ratio (%) [B/A]	Remark
Board Chairman	CHEN LI-FEN	5	0	100.00%	
Board Director	HSU MING-CHE	5	0	100.00%	
Board Director	TSO YUAN-HUAI	0	2	0.00%	Note 1
Board Director	CHENG SHENG-FEN	5	0	100.00%	
Board Director	WANG CHEN PI-HSIA	5	0	100.00%	
Independent Director	CHEN-SHU	3	2	60.00%	
Independent Director	WU CHUNG-JEN	3	2	60.00%	
Independent Director	WEI NAI-CHANG	5	0	100.00%	
Supervisor	KUANG HSI-HUI	5	0	100.00%	
Supervisor	LI MEI	5	0	100.00%	
Supervisor	TSENG HSU-WEN	5	0	100.00%	

Note 1: Mr. TSO YUAN-HUAI- Board Director of the company was naturally dismissed on July 24, 2015 due to dying of illness.

Other matters that shall be recorded:

I. As for matters listed in Item 3, Article 14 of Securities Exchange Act and other resolution matters of the board of directors that independent directors hold the objection or reservations and have related record or written statement, items like date, stage, bill contents, opinions from all independent directors and corresponding treatment from the company relevant to the board of directors shall be specified: Nil.

II. As for the execution situation that board directors avoid the bill in which they have a stake, items like director name, bill contents, avoidance cause and voting participation situation shall be stipulated: Nil.

III. Objectives to enhance the function of the board of directors (such as setting audit committee

and promoting information transparency) in the current year and in the most recent fiscal year and related execution situation evaluation:

- (I) The company has set the Compensation Committee to assist in its responsibility execution of the board of directors;
- (II) It is stipulated in Article 13 of the articles of association that: the company shall set the audit committee according to the regulations of Securities Exchange Act; the audit committee shall be composed of the whole independent directors, whose number shall be not less than 3, besides, at least 1 person shall have the accounting or financial expertise; function and power execution, organizational rules and other observable matters of the audit committee shall be handled according to relevant decrees or the company regulations; the company is planning to set the audit committee in proper time, and further set various functional committees in accordance with articles of association, so as to perfect the decision-making function and strengthen the management mechanism.
- (III) Internal audit supervisor of the company shall regularly provide the independent directors with the internal audit reports and report the checking outcome of internal audit to the board directors and supervisors in the routine board of directors.
- (IV) Promotion of information transparency: after each board of directors is held, important decisions of the board of directors shall be handled for announcement and regularly updated in the company website according to relevant regulations.

(II) Operation situation of audit committee or operation situation of supervisors' participating in the board of directors:

1. Operation situation of audit committee: It is stipulated in the articles of association that the company shall set the audit committee; the audit committee shall be composed of the whole independent directors, whose number shall be not less than 3, besides, at least 1 person shall have the accounting or financial expertise; the company is planning to set the audit committee in proper time, and further set various functional committees in accordance with articles of association, so as to perfect the decision-making function and strengthen the management mechanism.
2. Operation situation of supervisors' participating in the board of directors: 5 meetings were held by the board of directors in 2015, and attendance situation is as follows:

Job Title	Name	Actual attendance time (B)	Actual attendance ratio (%) [B/A]	Remark
Supervisor	KUANG HSI-HUI	5	100.00%	
Supervisor	LI MEI	5	100.00%	
Supervisor	TSENG HSU-WEN	5	100.00%	

Other matters that shall be recorded:

I. Composition and duties of supervisors:

- (I) Communication situation of supervisors with employees and shareholders (such as communication channels and ways): the execution situation that supervisors of the company attend the board of directors, regularly check the audit report, review the financial statements and check the internal control system of the company; the communication channel with the company employees and shareholders shall be unblocked.
- (II) Communication situation of supervisors with the internal audit supervisor and accountant (such as the communication matters, ways, results, etc. regarding the company's financial and business conditions):
 1. Internal audit supervisor of the company regularly submits the internal audit reports, and supervisors have no objection;
 2. Internal audit supervisor attends the board of directors, reports the checking outcome of internal audit to the board directors and supervisors, and supervisors have no objection;
 3. Supervisors have to directly contact the accountant when considering necessary to communicate the financial condition.

II. In case of any statement during attending the board of directors by supervisors, items like date, stage, bill contents and resolution results of the board of directors, and corresponding treatment from the company for supervisors' statement shall be specified: if there is no any significant abnormal situation, please refer to important resolutions of the board of directors related to the annual report.

(III) Operation situation of corporate governance and situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies

Items evaluated	Operation situation			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
I. Whether the company formulates and discloses the Corporate Governance Best Practice based on [Corporate Governance Best Practice Principles for Listed Companies]?	✓		The company has formulated the [Corporate Governance Codes] and disclosed it on the corporate website (www.chieftek.com) according to [Corporate Governance Best Practice Principles for Listed Companies].	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
II. Corporate equity structure and shareholders' equity	✓		(I) The company has formulated [Corporate Governance Codes], [Work Procedures and Behavioral Guidelines on Honest Management] and other work procedures and handled the shareholders related matters; shareholders may offer proposals to the shareholder meeting, there are also spokesperson, chairman room, financial department and related departments taking charge of handling shareholder proposal, doubt, dispute and litigation and implementing it in accordance with the procedure.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(I) Whether the company formulates the internal working procedure to handle shareholder proposal, doubt, dispute and litigation and implements it in accordance with the procedure?			(II) Change situation of stock rights held by insiders like board directors, supervisors, managers and major shareholders holding 10% of shares is declared in the specified public information observation station each month according to law.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(II) Whether the company masters the principal shareholders actually controlling the company and the final controller list of principal shareholders?	✓		(III) Finance and accounting of the company and affiliated enterprise are operated independently, besides, the company formulates [Management on Transactions with Related Parties] and [Management Method on Subsidiary Corporations], handles related matters according to the regulations of the internal control system of the company, and shall be able to really execute the risk control and firewall mechanism.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(III) Whether the company establishes and executes the risk control and firewall mechanism with the affiliated enterprise?	✓			

Items evaluated	Operation situation			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
(IV) Whether the company formulates the internal specification to prohibit the corporate insiders to buy or sell negotiable securities by using the undisclosed information in market?	✓		(IV) The company formulates [Management Method to Prevent Insider Trading], [Moral Behavior Codes] and other internal control methods to standardize all employees, managers, board directors, supervisors and all people knowing about the company information based on occupation or control relation and prohibit any behavior involving insider trading and irregularly makes internal training education and advocacy.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
III. Composition and duties of the board of directors (I) Whether the board of directors drafts the diversification policy and implements it in terms of the member composition?	✓		(I) The company has formulated the diversification policy of board members in the [Corporate Governance Codes], besides, all board members are specialists in various fields and greatly help the company development and operation; 3 independent directors with work experience of business, legal affair, finance, accounting or other experience required by the company business have been set.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(II) Whether the company voluntarily sets other functional committees apart from the Compensation Committee and Audit Committee?		✓	(II) To perfect the decision making function and enhance the management mechanism, the company has set various functional committees in articles of association, and organizational rules of various committees are decided by the board of directors. Apart from setting the Compensation Committee according to law, the company will also set other functional committees in proper time.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
(III) Whether the company formulates the performance evaluation method and evaluation way of the board of directors, and regularly carries out performance evaluation each year?		✓	(III) The company has not made the performance evaluation method of the board of directors, but has regularly tracked and recorded the attendance, interest evasion, audit report, etc. relevant to the board of directors.	Did not made the performance evaluation method of the board of directors

Items evaluated	Operation situation			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
(IV) Whether the company regularly evaluates the independence of certified public accountant?	✓		<p>(IV) Prior to electing the accountant by the board resolution each year, the company shall first review his/her independence, require the Certified Public Accountant to provide [Absolute Independence Statement]; the accountant appointment can be reviewed after the company confirms that the accountant has no other financial interest and business relations with the company except for expenses of visa, fiscal and taxation cases, etc., and family members of the accountant also do not violate the independence requirement.</p> <ol style="list-style-type: none"> 1. To make the review of accountant election of the company have something to follow and build good corporate governance system, [Corporate Governance Codes] of the company shall be based to evaluate the independence of account and handle, enhance and promote financial report quality. 2. The company proceeds with the review and evaluation on independence elements, independence operation, competence and so on related to accountant LIN TZU-YU and accountant LIU TZU-MENG. 3. All Certified Public Accountants are engaged after agreed by the board of directors. 	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
IV. Whether the company establishes the communication channel with the interested party, sets the interested party zone on the corporate website, and properly responds the enterprise social responsibility issues concerned by the interested party?	✓		<p>IV. The company sets the communication channel on the company website, sets spokesperson and agent spokesperson according to law, properly responds issues concerned by the interested party, besides, the relationship between various departments and the third-party, clients, correspondent banks, investors and other interested parties is harmonious, and a proper and smooth communication channel has been established.</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies
V. Whether the company entrusts the professional stock service agent to handle the affairs of shareholder meeting?	✓		<p>V. The company has entrusted the professional service agent- Fubon Securities Co., Ltd to handle matters relevant to the shareholders' meeting affairs and various share affairs of the company.</p>	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

Items evaluated	Operation situation			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
<p>VI. Information disclosure</p> <p>(I) Whether the company sets up the website, discloses the financial business and corporate governance information?</p> <p>(II) Whether the company implements other forms of information disclosure (for instance, setting English website, assigning special person to take charge of collection and disclosure of corporate information, implementing spokesperson system, placing the legal person explanation meeting on the corporate website)?</p>	<p>✓</p> <p>✓</p>		<p>(I) The company has set website (www.chieftek.com) to introduce the company, related financial business and corporate governance information, which can be linked to the public information observation station.</p> <p>(II) The company website has English version, sets 1 spokesperson and 1 agent spokesperson and assigns special person to take charge of collection and disclosure of corporate information; related information of law explanation meeting held will be disclosed on the website.</p>	<p>Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies</p> <p>Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies</p>
<p>VII. Whether the company has other important information helping to understand the corporate governance operation situation (including but not limited to rights and interests of employees, employee caring, investor relations, supplier relationship, right of interested party, study situation of board directors and supervisors, execution situation of risk management policy and risk measurement standard, execution situation of customer policy, situation of liability insurance purchased by the company for board directors and supervisors)?</p>	<p>✓</p>		<p>(I) Rights and interests of employees: with the establishment of healthy and safe work environment as the duty, the company abides by the corporate social responsibility policy and environmental and occupational health and safety regulations, implements emission reduction and energy saving, guarantees employee benefit and operation safety, and safeguards legitimate interest of employees according to the Labor Standard Law.</p> <p>(II) Employee caring: Measures like tidying work environment, guaranteeing personal safety, regularly implementing employees' health examination, arranging consultation of occupational physician are adopted, besides, employee life is enriched by welfare system and excellent educational training system, finally establishing a good relation with mutual trust and interdependence.</p> <p>(III) Investor relations: The company honestly discloses the company information according to the related regulations to ensure basic rights and interests of investors, fulfills its duty to shareholders, handles the recommendations of shareholders</p>	<p>Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies</p>

Items evaluated	Operation situation			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
			<p>through the company spokesperson and agent spokesperson, sets [investors zone] on the company website to help investors understand the financial and business situation of the company, replies the questions of shareholders in detail, increases the communication with investors of professional institutes and promotes transparency of the company operation.</p> <p>(IV) Supplier relationships: The company exchanges experience with suppliers concerning environment, health, safety, enterprise social responsibility and other related issues, and maintain a smooth communication channel and good relationship with suppliers.</p> <p>(V) Rights of interested parties: The company discloses the company financial and business information according to regulations, besides, correspondent banks, creditors, employees, shareholders and other interested parties may understand the company operation situation through the company spokesperson and agent spokesperson.</p> <p>(VI) Study situation of board directors and supervisors: To implement the corporate governance system, the company actively notices board directors and supervisors of corporate governance information and study message, besides, the 6th session of board directors and supervisors have studied in accordance with [Practicable Main Points for Board Directors and Supervisors of Listed Companies]; please see the following table for detail.</p> <p>(VII) Execution situation of risk management policy and risk measurement standard: The company evaluates the response and solutions in consideration of suppliers, customers, manufacturing technology, demand of creditors, strategies of competitors, economic environment, manpower resource and other factors as well as production and marketing meeting and reflecting channel, additionally, risk of the operation</p>	

Items evaluated	Operation situation			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
			<p>level is handled via internal audit system and annual audit plan, so as to ensure the smooth realization of various objectives.</p> <p>(VIII) Execution situation of of customer policy: The company maintains a stable and good relation with clients, attaches great importance to the satisfaction of clients and takes the promotion of client value and competitive power as target. Apart from mastering and checking the delivery situation at any time and conducting real-time improvement, the company also regularly does the satisfaction survey for clients, striving to become the long-term partner of clients' career and creating a win-win result.</p> <p>(IX) Situation of liability insurance purchased by the company for board directors and supervisors: The company has purchased liability insurance for board directors and supervisors.</p>	

Study situations of board directors, supervisors and managers of the company in 2015:

	Name	Sponsor	Refresher course	Study hours	Whether meeting the [Practicable Main Points for Board Directors and Supervisors of Listed Companies]
Board Chairman	CHEN LI-FEN	Taiwan Corporate Governance Association	Risk management and internal control	3	YES
Board Director	HSU MING-CHE	Taiwan Corporate Governance Association	Risk management and internal control	3	YES
Board Director	CHENG SHENG-FEN	Taiwan Corporate Governance Association	Risk management and internal control	3	YES
Board Director	WANG CHEN PI-HSIA	Taiwan Corporate Governance Association	Risk management and internal control	3	YES
Independent Director	CHEN-SHU	Taiwan Corporate Governance Association	Risk management and internal control	3	YES
Independent Director	WU CHUNG-JEN	Taiwan Corporate Governance Association	Risk management and internal control	3	YES
Independent Director	WEI NAI-CHANG	Taiwan Corporate Governance Association	Risk management and internal control	3	YES
		GreTai Securities Market	Advocacy Meeting of stock rights of internal personnel of OTC and emerging stock company in 2015	3	YES
Supervisor	KUANG HSI-HUI	Taiwan Corporate Governance Association	Risk management and internal control	3	YES
Supervisor	LI MEI	Taiwan Corporate Governance Association	Risk management and internal control	3	YES
Supervisor	TSENG HSU-WEN	Taiwan Corporate Governance Association	Risk management and internal control	3	YES
Chief Financial Officer	LI PAI-TSANG	Taiwan Corporate Governance Association	Risk management and internal control	3	YES
		National Cheng Kung University	Continuous refresher course of accountant officer	12	YES

Items evaluated	Operation situation			Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies
	YES	NO	Summary documentation	
VIII. Whether the company has the Corporate Governance Self-evaluation Report or Corporate Governance Evaluation Report entrusted to other professional institutions? (if any, please specify the board of directors related opinions, self-evaluation or externally entrusted evaluation result, main deficiency and suggestions as well as improvement situation)	✓		The company carried out the Corporate Governance Self-evaluation according to the [Corporate Governance Evaluation System] set by the Management Center of Taiwan Stock Exchange Corporation in January 2015, and will make self-criticism and feasible improvement way evaluation regarding the evaluation result in the future.	Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies

(IV) If the Compensation Committee is set, the company must disclose its composition, duties and operation situation:

To perfect the corporate governance, enhance the compensation management function of the board of directors, assist in executing and evaluating the remuneration of the company board directors and managers, the company set the Compensation Committee through the resolution of the board resolution on December 22, 2011, and passed the organizational rules of the Compensation Committee. Composition, duties and operation situation of the Compensation Committee are and follows:

1. Members data of the Compensation Committee

Identity (Note 1)	Conditions Name	Whether having work experience with over 5 years and the following professional qualifications			Independence situations (Note 2)								Number of independent director concurrently occupied in other public offering companies	Remark (Note 3)
		Lecturer or above of public and private colleges and universities in academic department of business, legal affair, finance, accounting or that required by the company business.	Judge, procurator, lawyer, accountant or other special professions and technicians passing the national examination and obtaining certificates required by the company business	Work experience of business, legal affair, finance, accounting or that required by the company business.	1	2	3	4	5	6	7	8		
Independent Director	WEI NAI-CHANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not Applicable
Independent Director	WU CHUNG-JEN			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not Applicable
Independent Director	CHEN-SHU	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Not Applicable

Note 1: please respectively fill in board director, independent director or other in the column of identity.

Note 2: for the member who meets the following conditions 2 years before election and during the tenure, tick “✓” in the box under the condition code.

(1) Employees who don't belong to the company or its affiliated enterprises.

(2) Board directors and supervisors who don't belong to the company or its affiliated enterprises (independent directors

who belong to the company or its parent company, or the subsidiary for whom the company directly and indirectly holds the voting power and holds more than 50% of stocks shall not be subject to this limit).

- (3) Not the person, his/her spouse and minor children, or natural person shareholders who hold in the name of others over 1% of the issued shares of the company or whose share holding ranks top 10.
- (4) Spouse and direct lineal relatives within the second degree of kinship or the third degree of kinship who don't belong to the personnel listed in the first three items.
- (5) Board directors, supervisors or employees of corporate shareholders who don't directly hold more than 5% of issued shares of the company or whose share holding ranks top 5.
- (6) Board directors, supervisors, managers or shareholders holding over 5% of shares in specific companies or institutions who don't have financial or business transaction with the company.
- (7) Entrepreneurs, partner, board directors, supervisors, managers and his/her spouse in the sole or partnership company or institution and professionals who don't provide business, legal affair, finance, accounting and other services or consultations for the company or its affiliated enterprises.
- (8) Do not have any of various situations in Article 30 of the Company Law.

Note 3: if identity of the member is board director, please specify whether it meets regulations in Item 5, Article 6 of Setting and Duties Execution Methods of Compensation Committee of Listed Companies or Companies Doing Transaction in Securities Dealer Business Place.

2. Duties of the Compensation Committee

The committee shall follow the duties of good administrator, faithfully perform the following functions and power and submit the recommendations to the board of directors for discussion. As to the suggestion on salary and remuneration of supervisors which is submitted to the board of directors for discussion, it shall be subject to that the remuneration of supervisors is explicitly stipulated in articles of association or that the board of directors is authorized to handle by shareholder meeting:

- (1) Draft the proposal of remuneration of board directors, supervisors and managers and its regular evaluation report;
- (2) Draft and regularly review the performance evaluation of board directors, supervisors and managers;
- (3) Draft and regularly review the remuneration related policy, system, standard and structure of the company;
- (4) Other cases handed over and decided by the board of directors.

3. Information of operation situation of the compensation committee

- (1) Compensation Committee of the company includes 3 members.
- (2) Tenure of this session of members: the 1st session was from December 22, 2011 to June 16, 2014, 7 meetings were held by the Compensation Committee as of May 22, 2014; in the 2nd session 5 meetings (A) were held by the Compensation Committee from June 16, 2014 to May 16, 2016. Qualification and attendance situation of the 2nd committee members are as follows:

Job Title	Name	Actual attendance time (B)	Entrusted attendance time	Actual attendance time (%) (B/A)(Note)	Remark
Convener	WEI NAI-CHANG	4	1	80.0%	
Committee Member	WU CHUNG-JEN	2	3	40.0%	
Committee Member	CHEN-SHU	5	0	100.0%	

Other matters that shall be recorded:

- I. If the board of directors doesn't adopt or amends the recommendations of the Compensation Committee, the date, stage, bill contents and resolution results of the board of directors as well as treatment for advice of the Compensation Committee shall be stated (if the remuneration passed by the board of directors is superior to the recommendation of the Compensation Committee, the difference situation and reason shall be stated): Nil.
- II. If any member holds the objection or reservations and has related record or written statement for resolution matters of Compensation Committee, items like date, stage, bill contents, opinions from all members and corresponding treatment of Compensation Committee shall be specified: Nil.

(V) Social responsibility fulfillment: system and measures implemented and taken by the company for environmental protection, participation in community activities, social contribution, social service, social welfare, consumer rights & interests, human rights, safety & sanitation and other social responsibility activities, and its fulfillment.

Evaluation Items	Operation Situation			The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes
	Yes	No	Abstract Statement	
I. The implementation of corporate governance				
(I) Whether the company makes policies or systems for enterprise social responsibility and makes a self-criticism for its implementation effects?	✓		(I) The company has developed the <i>Code of Practice of Enterprise Social Responsibility</i> and <i>Enterprise Social Responsibility Policy</i> based on the <i>Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises</i> , which were approved by the board of directors in May 9, 2014 through discussion after submission. Its implementation effect shall be self-criticized on a regular basis in near future.	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
(II) Whether the company arranges social responsibility education and training on a regular basis?	✓		(II) 1. The company shall arrange social responsibility education and training internally and explain environmental safety and health courses, developing direction of the company, operation principle and relevant policies as well as the idea of enterprise social responsibility. 2. Arrange refresher courses for directors and supervisors according to <i>Practicable Main Points of Refresher Courses for Directors and Supervisors of Listed and OTC Companies</i> .	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
(III) Whether the company has full-time (part-time) unit to promote enterprise social responsibility, which is managed by top management under authorization from board of directors, and to report to board of directors?	✓		(III) On May 9, 2014, the board of directors approved that board chairman room should act as the unit in charge of promoting enterprise social responsibility, communicating with trade association in science park, promoting prosperity of Chinese traditional culture and caring for vulnerable groups in communities. In 2003, the company set up a factory in Tainan science park. Over more than a decade, the chairman has earned herself the nickname “Tainan science park Sunny Aunt” by holding meetings in the park to maintain good relations with colleagues and neighbors on a monthly or quarterly basis, laying stress on physical & mental	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes
	Yes	No	Abstract Statement	
(IV) Whether the company makes reasonable remuneration policy, combines employee performance assessment system with enterprise social responsibility policy and lays down well-defined and effective reward and punishment system?	✓		<p>communication and supplemented by professional interaction; teaching colleagues in the company to overcome evil with good & kindheartedness and build an ideal realm of life of “happiness and harmony”;</p> <p>(IV) Related measures are taken as follows:</p> <ol style="list-style-type: none"> 1. The major remuneration principle of the company takes department responsibility and performance & result into account, hoping to recruiting and retaining talents by making reasonable remuneration policy. 2. The code of conduct and related reward and punishment system are clearly incorporated into employee manual of the company. 3. The compensation committee set by the company consists of three independent directors. These three committee members with different background, high academic qualification and rich experience fully get hold of industrial dynamics at home and abroad and gradually and persistently promote the integration of the above systems and enterprise social responsibility policy through meetings held more than twice annually and irregular discussion & communication and examining reasonable remuneration policy and performance assessment system on the basis of operation dynamic, so as to raise quality and sharpen the competitive edge of the company at each stage. 	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
<p>II. Develop sustainable environment</p> <p>(I) Whether the company is dedicated to improving utilization efficiency of various resources and making use of renewable materials with low environmental load impact?</p>	✓		<p>(I) The company is dedicated to lifting utilization efficiency of various resources, such as recycling pallets and wooden boxes as shipment package or for inventory management. Furthermore, the company also carries out the campaign of classified garbage recovery and sets up rainwater recycling system for on-site process water recovery, both reducing cost and environmental load & impact.</p>	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes
	Yes	No	Abstract Statement	
(II) Whether the company establishes applicable environmental management system based on its industrial characteristics?	✓		(II) 1. The industrial safety department of the company shall take charge of environmental management, establishing and controlling environmental management system, setting up safety and sanitation committee and jointly dealing with environmental safety problems. 2. Besides observing environmental laws earnestly, the company passed ISO14001 environmental management system, OHSAS 18001 occupational safety and sanitation management system and CNS15506 Taiwan occupational safety and sanitation management system in September, 2014.	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
(III) Whether the company is aware of the influences of climatic variation on operational activities, detects greenhouse gases and formulates energy saving and carbon & greenhouse gases reduction strategies?	✓		(III) The company aims to decrease in-plant temperature, replace air conditioning system and save electricity by raised design, adding outer walls and adopting natural circulation for ventilation & heat dissipation based on energy saving and carbon reduction during factory design. 1. Energy saving target Those up to standard of energy consumption shall establish energy inspection system, set the energy saving targets and draw up execution plan to reach 1% annual power saving rate in accordance with ISO 50001 specification and Article VIII, IX and XII of energy resources law. The power saving rate amounted to 11.89% from 2012 to 2014, which was predicted to reach 15.467% by 2016. 2. Energy saving measures This year, the company laid emphasis on making energy equipment obsolete and trading in them for new ones. High-efficient equipment shall be selected preferentially to advance the energy saving scheme of HV transformer and replace energy-intensive transformer with a new one. The monthly average power consumption of 1500KVA HV transformer is 3,217KWh in the company; while that of transformer	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes															
	Yes	No	Abstract Statement																
			<p>replaced is 140KWh. The monthly average power consumption of 750KVA transformer is 1,863KWh; while that of transformer replaced is 550KWh. It is predicted that the annual power saving rate can be up to 2.17% this year.</p> <p>3. Carbon reduction target This year, the company laid emphasis on making energy equipment obsolete, trading in them for new ones and CO2 reduction. The total electricity saved of above HV transformers is 153,771 KWh. The data provided by the Bureau of Energy, Ministry of Economic Affairs shows that 0.638kg of CO2 is produced for 1KWh. It is predicted that 98,105kg of CO2 shall be reduced this year.</p> <p>4. Greenhouse gas emission For greenhouse gas emitted by the company, its indirect emission source stems mainly from outsourced power, which is 7,954.6MWh, 7,155MWh, 6,894MWh and 6,970MWh respectively between 2012 and 2015. The total emissions of greenhouse gases of the company was about 5,075.035mt of CO2e/year in 2012, while that in 2013, 2014 and 2015 was roughly 4,564.89mt CO2e/year, 4,398.372mt CO2e/year and 4,447.111mt CO2e/year separately. In response to environmental impact caused by greenhouse gases, measures for reducing greenhouse gas emissions shall be promoted in future to accomplish sustainable energy development in consideration of cost & resource efficiency, energy saving and environmental protection.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Total Power Consumption (KWh)</td> <td>7,954,600</td> <td>7,155,000</td> <td>6,894,000</td> <td>6,970,393</td> </tr> <tr> <td>CO2 Emissions (mt)</td> <td>5,075.0348</td> <td>4,564.89</td> <td>4,398.372</td> <td>4,447.111</td> </tr> </tbody> </table> <p>Note: The data provided by the Bureau of Energy, Ministry of Economic Affairs shows that 0.638kg of CO2 is produced for 1KWh.</p>	Year	2012	2013	2014	2015	Total Power Consumption (KWh)	7,954,600	7,155,000	6,894,000	6,970,393	CO2 Emissions (mt)	5,075.0348	4,564.89	4,398.372	4,447.111	
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Evaluation Items	Operation Situation		Abstract Statement	The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes
	Yes	No		
<p>III. Maintaining social welfare</p> <p>(I) Whether the company makes related management policy and procedure pursuant to relevant regulations and international covenants of human rights?</p>	✓		<p>(I) The company formulates relevant complete system and administrative measures in compliance with labor standard act and related government decree, which are in the charge of specially-assigned person, to guarantee legal labor rights of employees, employment policy, nondiscrimination and other management principles. In the meantime, in the most important principle of caring for employees and employee welfare, the company shall allocate retirement pension and set employee welfare committee by law; in the principle of stable operation, the company shall provide all kinds of welfare benefits superior to legal conditions and take various measures to the greatest extent.</p> <p>What's more, the company shall make announcement and launch an advocacy in the factory to cope with changes in decrees.</p>	<p>Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.</p>
<p>(II) Whether the company establishes employee complaint mechanism and channel and makes a settlement properly?</p>	✓		<p>(II) In a bid to realize friendly communication between colleagues and the company, complaint mechanism and communication channel have been established as follows:</p> <ol style="list-style-type: none"> 1. Tangible suggestion boxes are set on the first floor and in dining hall of the factory. 2. Special E-mail service is offered to senior executives, HR department, heads and cadres of all units. 3. Communication meetings associated with labor relations are held. 4. Questionnaire survey is conducted irregularly. 5. Formulate and advocate code of conduct, integrity management, safety & health and practice of enterprise social responsibility. 	<p>Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.</p>
<p>(III) Whether the company creates a safe and healthy working environment and implements safety and health education for employees regularly?</p>	✓		<p>(III) The company shall set up labor safety and sanitation committee as per labor safety and sanitation law, convene labor safety and sanitation meeting regularly, persistently assist the factory in completing various tasks related to environmental safety and sanitation to</p>	<p>Comply with the code of practice of social responsibility of listed and OTC</p>

Evaluation Items	Operation Situation		Abstract Statement	The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes										
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			<p>make sure the safety and sanitation of working environment. Explanation of only relevant items is made below:</p> <table border="1"> <thead> <tr> <th>Items</th> <th>Contents</th> </tr> </thead> <tbody> <tr> <td>Entrance Guard</td> <td> <ol style="list-style-type: none"> 1. Strict entrance guard monitoring system is set up in the daytime and nighttime. 2. Connect with police organs online to take precaution. </td> </tr> <tr> <td>Maintenance and Inspection of Various Equipment</td> <td> <ol style="list-style-type: none"> 1. In accordance with buildings public safety inspection and visa & declaration regulations, entrust specialized company to carry out public safety inspection every year or every four years. 2. According to fire protection law, conduct fire safety inspection by outsourcing every year. 3. Maintain and check such equipment as electrical equipment, lift, air conditioner, water dispenser, automobile, fire apparatus in terms of code of practice of safety and sanitation in the company. </td> </tr> <tr> <td>Contingency Measures for Disaster Prevention</td> <td> <ol style="list-style-type: none"> 1. Develop emergency preparedness and response procedure, emergency response plan, code of practice of labor safety and sanitation, accident investigation and management procedure together with other disaster prevention, rescue precautions and accident & disaster reporting procedure, well define responsibilities of personnel at all levels for such important incidents and accidents as acts of God and fire disaster and corresponding tasks and arrange safety protection drills as required. 2. Entrust fire control organ to carry out fire control & disaster prevention training. </td> </tr> <tr> <td>Physiological Health</td> <td> <ol style="list-style-type: none"> 1. Perform periodic health examination on a yearly basis in accordance with occupational safety and sanitation law. </td> </tr> </tbody> </table>	Items	Contents	Entrance Guard	<ol style="list-style-type: none"> 1. Strict entrance guard monitoring system is set up in the daytime and nighttime. 2. Connect with police organs online to take precaution. 	Maintenance and Inspection of Various Equipment	<ol style="list-style-type: none"> 1. In accordance with buildings public safety inspection and visa & declaration regulations, entrust specialized company to carry out public safety inspection every year or every four years. 2. According to fire protection law, conduct fire safety inspection by outsourcing every year. 3. Maintain and check such equipment as electrical equipment, lift, air conditioner, water dispenser, automobile, fire apparatus in terms of code of practice of safety and sanitation in the company. 	Contingency Measures for Disaster Prevention	<ol style="list-style-type: none"> 1. Develop emergency preparedness and response procedure, emergency response plan, code of practice of labor safety and sanitation, accident investigation and management procedure together with other disaster prevention, rescue precautions and accident & disaster reporting procedure, well define responsibilities of personnel at all levels for such important incidents and accidents as acts of God and fire disaster and corresponding tasks and arrange safety protection drills as required. 2. Entrust fire control organ to carry out fire control & disaster prevention training. 	Physiological Health	<ol style="list-style-type: none"> 1. Perform periodic health examination on a yearly basis in accordance with occupational safety and sanitation law. 	companies and enterprises.
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Evaluation Items	Operation Situation		Abstract Statement	The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes
	Yes	No		
			<p>2. Sanitation in working environment: Ban smoking entirely in working environment, hold health lecture, arrange CPR training and regularly conduct office environment cleaning and sterilization.</p>	
			<p>Mental Health</p> <p>1. Educational training: provide communication skill and emotion management courses as well as employee psychological adjustment and profession skill strengthening training.</p> <p>2. Expression of opinion: set employee suggestion zone and provide various manuals, educational training announcement and channels for employee's expression of opinion and interactive learning.</p> <p>3. Sexual harassment prevention: set forth complaint and punishment terms.</p>	
			<p>Insurance and Medical Condolence</p> <p>1. Buy labor insurance (including occupational hazard insurance) and health insurance by law.</p> <p>2. Buy officers liability insurance.</p>	
			<p>Contractor Management</p> <p>1. Inform contractors of hazard factors during working and hold meetings for contractor agreement in accordance with occupational safety and sanitation law.</p> <p>2. Set contract management procedure and provide related forms for contractor applying and filling out.</p>	
			<p>Educational Training</p> <p>Implement pertinent safety & sanitation educational training, for example, general safety & sanitation educational training and hazardous chemical manufacturing, disposal and using educational training and add safety and sanitation trainings 3h before operation of manufacturing machine or equipment, aerial working vehicle, winch and electric</p>	

Evaluation Items	Operation Situation		Abstract Statement	The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes
	Yes	No		
			<div style="border: 1px solid black; padding: 2px; width: fit-content;">welding as well as working in oxygen deficient environment in accordance with occupational safety and sanitation law.</div> <p>Healthy and safe working environment The company shall provide employees with safe and sound working environment, earnestly observe fire regulations and take the following measures to protect personal safety and health in the working environment:</p> <ol style="list-style-type: none"> 1. ISO 14001/OHSAS 18001/CNS 15506 environmental safety and sanitation management system: set up a management system to evaluate performance and efficiency of environmental and occupational safety & sanitation and enhance environmental safety & sanitation, thus guaranteeing personal safety of employees. 2. Identify environmental considerations and various hazards in all activities, products and services of the company, evaluate the risks of major environmental considerations and its hazards, judge the priority action level and control unacceptable environmental safety and sanitation risks that generate or may generate in favor of planning, management and implementation of environmental and occupational safety and sanitation. 3. Establish unified regulations for hazardous marking of chemicals in compliance with regulations and requirements; be able to take emergency measures immediately upon occurrence of hazard and leakage during working through effective reminders to prevent from occurrence of hazards and extension of accidents. 4. For industrial wastes produced, establish resources recovery and related management mechanism to realize waste recycling, stabilization, hazard-free treatment, economization and satisfy the requirements of decree by improving environmental sanitation. 5. Raise contingency ability of employees under emergency circumstances and define correct handling procedure to 	

Evaluation Items	Operation Situation			The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes
	Yes	No	Abstract Statement	
			<p>make sure personal safety and normal operation of the company in the hope of minimizing accident disasters.</p> <p>6. Check the fire apparatuses on a regular basis to reduce the losses after disaster accidents and guarantee personal safety of employees.</p> <p>7. Lay down <i>Code of Practice of Safety and Sanitation</i> to avoid occupational accident, maintain the safety and health of employees and ensure the normal operation of working place, further reaching the target of sustainable business operation.</p> <p>8. Appoint <i>Safety and Sanitation Employees</i> to take charge of planning and advancing environmental safety and sanitation policies and management system of the company and checking their performance. Train professional employees for occupational safety, including A Grade occupational safety and sanitation manager, B Grade occupational safety and sanitation specialist, A Grade occupational safety and sanitation executive, first-aid personnel and fire controller, to strengthen environmental safety and sanitation management in workplace and maintain a safe and healthy workplace.</p> <p>9. Conduct <i>Annual Health Examination for Employees</i> on a regular basis to protect their safety and health.</p> <p>10. Conduct <i>Working Environment Monitoring</i> twice a year, get hold of working environment dynamics, evaluate exposure hazard, measure physical and chemical factors in environment and improve the working environment based on measured results to meets the requirements.</p> <p>11. Regular inspection, key inspection and working inspection: conduct automatic inspection based on automatic inspection management procedure and examine potential hazards in workplace by means of automatic inspection for the purpose of preventing disasters and protecting company property and personal operation safety.</p>	

Evaluation Items	Operation Situation			The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes
	Yes	No	Abstract Statement	
(IV) Whether the company establishes regular communication mechanism for employees and informs rationally employee of operational changes that have significant impact on them?	✓		12. Field inspection: conduct regular or irregular inspection for in-plant safety and sanitation to eliminate actual or potential hazards and risks. (IV) In order to achieve all-around communication between employee and the company, the company shall convene meetings with regard to labor relations regularly, set up tangible suggestion boxes and bulletin board in the factory and provide special E-mail service for officers, heads and cadres of all units as the media publishing significant information.	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
(V) Whether the company develops efficient occupational capability development training plan?	✓		(V) The company has been committed to creating a learning environment providing endless talent force and increasing remarkable competitive power, set <i>Educational Training Management and Operational Procedure</i> and cultivated right talents by virtue of internal and external training resources. Currently, the company has provided a series of educational trainings for common knowledge, professional skill and management to stimulate employee's potential and occupational development ability, realize close coordination between enterprise development and talent development plan of colleagues and heighten awareness of production efficiency and enterprise social responsibility. Training plan mainly implemented is composed of general training, educational training for labor safety, operation & management and traditional culture, professional training, training for employees dispatched to foreign subsidiaries, internship training for international exchange. The company shall train head of all units and senior colleagues as internal lecturer to inherit company culture and skills and invite external experts, directors, supervisors to give lessons irregularly. In 2015, the company provided 1,672 training courses with total training hours up to 2,242 and	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.

Evaluation Items	Operation Situation			The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes
	Yes	No	Abstract Statement	
(VI) Whether the company makes relevant consumer's interest protection policy and complaint procedure with regard to R&D, purchase, production, working and service procedure?	✓		total number of participants being 17,786. (VI) The company shall hold the attitude of specialty-related innovation and honesty & integrity to improve product efficiency and serve customers in hope of providing products and services to the satisfaction of customers. Therefore, the company shall formulate standard customer complaint operating procedure, properly judge the responsibility problems, develop preventive measures to prevent from such problems, regularly investigate and track customer satisfaction to understand demands and problems of customers and take the above investigation results as basis of developing improvement strategy.	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises. °
(VII) Whether the company observes relevant regulations and international standards for product and service marketing and marking?	✓		(VII) For products of the company which fall within mechanical parts, there are related international standards. The company shall conform to related regulations and international standards and implement them in aspects of processing and management of raw materials.	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
(VIII) Whether the company evaluates previous records of suppliers (namely, impact on environment and society) efore making a deal?	✓		(VIII) The company possesses tight and complete supply chain system and can assist suppliers in improving product quality by integration. For suppliers of contract project, the 2-IS-2-K-001 contractor management procedure shall be followed. Apart from implementation of safety & sanitation autonomous management, educational training, agreement organization, factory-entering hazard notification and other safety managements, requirements of physical environmental management shall also be met to fulfill the enterprise social responsibility of safety and environmental protection.	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
(IX) Whether the contract between company and key supplier includes terms that need to be terminated or rescinded in case	✓		(IX) In accordance with contract between the company and key suppliers, the suppliers and contractors must comply with labor standard act and relevant	Comply with the code of practice of social

Evaluation Items	Operation Situation			The difference from the code of practice of social responsibility of listed and OTC companies and enterprises and the causes
	Yes	No	Abstract Statement	
suppliers fail to perform its enterprise social responsibility and has significant impact on environment and society?			human rights provisions, including prohibition of child labor and forced labor. In the event of involving into violation of enterprise social responsibility policy and exerting significant impact on environment and the society, the company shall terminate and cancel the contract at any time.	responsibility of listed and OTC companies and enterprises.
IV. Strengthen information disclosure (I) Whether the company disclose relevant reliable information concerned with enterprise social responsibility at its website and information disclosure observation station ?	✓		(I) The company has been adhering to information disclosure and transparency on corporate governance level. The company has explicitly disclosed information concerned with enterprise social responsibility in annual report and at company's website and been developing and creating enterprise social responsibility webpage. Besides, the company has appointed seed cadres to facilitate educational training inside the company based on enterprise social responsibility policy and disclose relevant information at the right moment in future, in spite of not preparing enterprise social responsibility report.	Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.
V. In case the company lay down code of practice of enterprise social responsibility of its own in accordance with <i>Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises</i> , please detail the difference between its operation and the code laid down: The company laid down the <i>Code of Practice of Enterprise Social Responsibility</i> in accordance with connotation and relevant regulations of <i>Code of Practice of Social Responsibility of Listed and OTC Companies and Enterprises through discussion of board of directors in May 9, 2014</i> and will continue to carry out the code of practice.				
VI. Other important information conducive to understanding the operation of enterprise social responsibility: In terms of participation in social activities and social contribution, the company shall actively cooperate with various universities and colleges (such as National Cheng Kung University (NCKU), Southern Taiwan University of Technology (STUST) and Nan Jeon Institute of Technology) in Tainan to provide opportunity of observation learning and internship and enhance industry-university collaboration. In addition, the company also cooperates with communities to establish prize for moral excellence and provide financial aid for students in community colleges.				
VII. If the enterprise social responsibility report of the company passes the verification standards of related certification authorities, please make a description: (I) The company's product has passed ISO9001: 2008 certification. (II) In September, 2014, the company passed ISO14001 environmental management system, OHSAS 18001 occupational safety and sanitation management system and CNS15506 Taiwan occupational safety and sanitation management system.				

(VI) Circumstances of the company’s performance of faithful management and implementation measures:

In accordance with “Code of Faithful Management of the Listed and Over-The-Counter Companies” released by the competent authority, based on the management ideas of integrity, transparency and accountability, this company formulated the integrity-based policy, established a good corporate governance and risk management mechanism to create a business environment with sustainable development, and formulated the code of faithful management of this company. The “Code of Faithful Management” was passed by the resolution of the board of directors on March 21, 2012, and reported by the general meeting of shareholders on June 20, 2012. The “Code of Faithful Management” was passed by the resolution of the board of directors on March 21, 2012, and the revised “Faithful Management Procedures and Behavioral Guidelines” was passed by the resolution of the board of directors on March 26, 2015. In addition, to carry out the faithful management policy, through the resolution of the board of directors on May 9, 2014, the chairman room should serve as the unit responsible for promoting enterprise faithful management, and adopt this management idea to sincerely serve all customers and suppliers, and continuously strengthen the company’s business information transparency to make shareholders know the company’s operation more clearly.

Evaluation item	Operation situation			Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
I. Formulation of faithful management policy and scheme				
(I) Does the company clearly specify the policy, practice of faithful management in the rules and external files, and does the board of directors, management level actively implement the commitment of faithful management?	✓		(I) This company passed the stipulated “Code of Faithful Management” through the board of directors on March 21, 2012, reported through the general meeting of shareholders on June 20, 2012, and passed the revised “Faithful Management Procedures and Behavioral Guidelines” through the resolution of the board of directors on March 26, 2015 to specifically regulate the matters needing attention when the company’s personnel are performing the business, and serve as the commitment of the board of directors and management level to actively implement the management policy.	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
(II) Does the company formulate the scheme of preventing dishonest behaviors, clearly specify the operation procedures, behavioral guidelines, violation punishment and appeal system, and carry out the implementation?	✓		(II) The company clearly formulates the code of practice of enterprise social responsibility, code of employee behavior, code of faithful management, relevant specification of preventing insider trading procedures, carries out the management ideas of “Integrity and Fairness, Integrity and Ability” and other principles of faithful management, continues to review, revise the relevant operation	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.

Evaluation item	Operation situation			Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
(III) Does the company implement prevention measures for the business activities with high risk of dishonest behaviors in each clause of Item II of Article 7 of “Code of Faithful Management of the Listed and Over-The-Counter Companies” or within the other business scope?	✓		<p>procedures, behavioral guideline, violation punishment and appeal system in each stage, and supplements the internal training, external training, independent director special instruction and other education training to gradually implement and conform to the relevant provisions.</p> <p>(III) The company formulates the “Code of Faithful Management” according to the “Code of Faithful Management of the Listed and Over-The-Counter Companies” released by the competent authority as the basis to abide by, and clearly specifies the prohibition of dishonest behaviors. The directors, supervisors, manager, employees or those with substantial control ability of this company shall not directly or indirectly provide, promise, request or accept any illegitimate benefits, or have other dishonest behaviors of violation of good faith, illegitimacy or breach of the trustee obligation, etc. to gain or maintain the interests. The relevant prevention measures include operation procedures, behavioral guidelines and education training, etc.</p> <p>The prevention scheme formulated by this company covers the prevention measures for the following behaviors:</p> <p>I. Offer bribes and accept bribes. II. Provide illegal political contributions. III. Improper charitable donation or sponsorship. IV. Provide or accept unreasonable gift, hospitality or other improper benefits.</p>	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
<p>II. Implementation of faithful management</p> <p>(I) Does the company assess the credit records of trading objects, and clearly specify the honesty behavior clauses in the contract signed with the trading objects?</p>	✓		<p>(I) Before the establishment of commercial relation, firstly assess the legality of this trading object, policy of faithful management, and assess whether there ever exist the records of dishonest behaviors to ensure its business operation mode fair, transparent, and no behavior of asking for, offering or accepting bribes.</p>	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.

Evaluation item	Operation situation			Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
(II) Does the company set up a full-time (part-time) unit affiliated to the board of directors to promote the enterprise faithful management, and regularly report its performance situation to the board of directors?	✓		(II) This company has designated the chairman room through the board of directors as a unit of specific responsibility to handle the revision, performance, interpretation, consultation service, reporting content registration document and other relevant operation, will supervise its performance and regularly report to the board of directors.	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
(III) Does the company formulate the policy of preventing conflict of interest, provide the proper statement channel, and carry out the implementation?	✓		(III) The “Code of Faithful Management” formulated by this company requests that the directors should adhere to high self-discipline, and should state opinions, reply to inquiries for the proposal listed by the board of directors when such proposal has the interest relationship with itself or its represented legal person, and brings damage to the company’s interests, without involving in discussion and voting, and the directors shall avoid at the time of discussion and voting.	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
(IV) Has the company established the effective accounting system, internal control system to implement the faithful management, and are these systems regularly checked by the internal audit unit, or by the entrusted accountant?	✓		(IV) This company sets up 3 independent directors to strengthen the corporate governance spirit. The board of directors set up the compensation committee bill on December 22, 2011 to reach the supervision on the company’s implementation of management ideas. In addition, to ensure the implementation of faithful management ideas, this company has established the effective internal control system, relevant management measures and accounting system to perform. This company handles the self-inspection once every year, then the internal audit unit will recheck the self-inspection report of each unit and subsidiary, including control environment, risk assessment, control operation, information and communication and supervision, etc. as well as lack of internal control and abnormal matter improvement situation discovered by the audit unit, thus to serve as the main basis for the board of directors and general manager to assess the	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.

Evaluation item	Operation situation			Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
(V) Does the company hold the internal, external education training of faithful management regularly?	✓		effectiveness of the overall internal control system and issue the statement of internal control system. (V) In addition to regularly holding the internal education training of faithful management, the company also participates in external similar courses to serve as a channel for the employees' absorption of new knowledge and provision of decision-making assistance.	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
III. Operation situation of the company's reporting system (I) Does the company formulate the specific reporting and reward system, establish the convenient reporting channel, and designate the specifically responsible personnel aiming at the reported object?	✓		(I) The company incorporates the faithful management in the employee performance assessment and human resource policy, and sets up a clear, effective reward and punishment and appeal system. The complaints procedure is as follows: Any violation of government decree or any fraud discovered shall be reported to the manager, internal audit personnel through the dedicated e-mail address of senior executives, internal audit personnel or in writing. The relevant personnel after receiving the reporting shall submit it to the general manager or chairman for deciding. Any severe violations shall be reported to the board of directors, and the unit or department head of the reported object shall be designated to be specifically responsible for acceptance to deal with the follow-up properly.	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
(II) Does the company formulate the survey standard operation procedure and relevant confidentiality mechanism for accepting the reporting matters?	✓		(II) The company formulates the reporting system in "Code of Employee Behaviors". In case of illegal (including corruption) and wrong conduct or suspicious event of violating the code of employee behaviors, the employees shall have the obligation to report to the management level, and request the relevant supervisors and corresponding personnel to keep strictly confidential. For severe violation of this company's personnel of honest behavior, it shall be handled according to the	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.

Evaluation item	Operation situation			Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
(III) Does the company adopt the measures to protect the reporter from suffering the improper treatment due to reporting?	✓		relevant laws or according to the company's personnel regulations. The survey standard operation procedures for relevant acceptance of reporting matters shall be continuously established and improved (III) The company provides protection measures for the reporters in the formulated "Code of Employee Behaviors" to ensure the survey quality, and avoid the reporter suffering unfair revenge or treatment.	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
IV. Strengthening the disclosure of information (I) Does the company disclose the content of its formulated code of faithful management and promotion effect on its website and public information observation station?	✓		(I) This company has formulated the "Policy of Faithful Management". In the future, it will strengthen the content of investor relations on the company's official website, then it will supplement the relevant information of faithful management. (II) This company shall disclose the policy of faithful management on the internal regulations, annual report or other statement, and make declarations on the product presentation, legal person illustration meeting and other external activity to make its suppliers, customers or other business related institutions and personnel clearly know the company's idea and specification of faithful management.	Conform to the provisions of code of faithful management of the listed and over-the-counter companies.
<p>V. If the company formulates its own code of faithful management according to the "Code of Faithful Management of the Listed and Over-The-Counter Companies", please explain the differences between its operation and the formulated code:</p> <p>This company has formulated the code of faithful management of the company (already having been revised as "Faithful Management Procedures and Behavioral Guidelines") to specifically regulate the matters needing attention for the company's personnel when performing the business, without major difference.</p> <p>Prohibition of dishonest behavior</p> <p>In the process of being engaged in business activities, it shall not directly or indirectly provide, promise, request, or accept any illegitimate benefits, or have other dishonest behavior of violating integrity, illegitimacy or breach of trustee obligation, etc. to gain or maintain the interests.</p> <p>Faithful management of commercial activity</p> <p>It shall carry on the commercial activities in the manner of fairness and transparency. Before the commercial intercourse, it shall consider the legitimacy of agents, suppliers, customers or other commercial trading objects and consider whether there exist the records of dishonest behavior. It shall avoid trading with those who have the records of dishonest behavior.</p> <p>Prohibition of offering bribes or accepting bribes</p> <p>When performing the business, it shall not directly or indirectly provide, promise, request or accept the illegitimate interests of any forms.</p>				

Evaluation item	Operation situation			Circumstances of differing from faithful management of the listed and over-the-counter companies and reasons
	Yes	No	Explanatory memorandum	
<p>Prohibition of providing political illegal contributions It shall conform to the Political Donations Act and the company's internal related operation procedures, and shall not there out gain commercial interests or trading advantages.</p> <p>Prohibition of improper charitable donation or sponsorship It shall conform to the relevant laws and internal operation procedures, instead of disguised bribery. It shall not directly or indirectly provide or accept any unreasonable gift, hospitality or other improper benefits to there out establish the commercial relations or affect the business transactions.</p> <p>Accounting and internal control It shall establish the effective accounting system and internal control system for the business activities with high risk of dishonest behavior, without any external account or keeping any secret account, and shall check at any time to ensure the design and performance of this system continuously effective. The internal audit personnel of this company shall regularly check the conformance situation of the previous system, and shall make it into the audit report to be submitted to the board of directors.</p> <p>Information disclosure It shall disclose the performance situation of its code of faithful management on the company website, annual report and public instruction book.</p>				
<p>VI. Other important information that contributes to understanding of the company's operation situation of faithful management: (such as the company's inspection, revision of its formulated code of faithful management, etc.) As an important enterprise culture of this company, the integrity has been simultaneously implemented to the company's employees, directors and supervisors, suppliers, etc.</p>				

(VII) If the company formulates the corporate governance code and relevant regulations, it shall disclose its inquiry mode:

On March 21, 2012, the corporate governance related specification was passed through the resolution of the board of directors, and the formulated "Code of Corporate Governance" was passed on May 9, 2014 through the resolution of the board of directors. The chairman room was responsible for "Promotion of Corporate Social Responsibility Unit" and "Promotion of Corporate Faithful Management Unit", and would regularly report the operation situation to the board of directors later. On March 26, 2015, the revision was passed through the resolution of the board of directors. Each internal control system of this company has included the corporate governance spirit, which will continuously promote the operation of corporate governance. This company has formulated the rules of procedure for the board of shareholders, the board of directors as well as the complete internal control system and internal audit system, etc., has implemented the operation and promotion of corporate governance, code of corporate governance and relevant regulations, and has released them on the company website (company website: <http://www.chieftek.com>) or public information observation station.

(VIII) Other important information enough to promote the understanding of operation situation of corporate governance: This company will disclose significant information to the investment public according to law to promote the understanding of the company.

(IX) Internal control system performance situation

1. Internal control statement

CHIEFTEK PRECISION CO., LTD.
Statement of Internal Control System

Date: March 17, 2016

The internal control system of this company in 2015 is hereby stated as follows according to the self-assessment results:

- I. This company acknowledges that to establish, implement and maintain the internal control system is the responsibility of the company's board of directors and manager, and this company has established such system. Its purpose is to provide reasonable assurance for reaching the goals of effective and efficient operation (including making profits, achieving performance and ensuring the safety of assets, etc.), reliable, timely, transparent guidance and conforming to relevant specification, namely relevant laws and regulations, etc.
- II. The internal control system has natural limits. No matter how perfect the design is, the effective internal control system can also provide reasonable assurance only for reaching the above three goals. Moreover, due to the change of environment and situation, the effectiveness of internal control system may also change. Only the internal control system of this company is set with the self-supervision mechanism, and once the negligence is identified, this company will take the corrective action.
- III. This company is basing on the judgment items for the effectiveness of internal control system stipulated by "Standard for Treatment of Establishment of Internal Control System of the Public Offering Company" (hereinafter referred to as "Standard for Treatment") to judge whether the design and implementation of the internal control system are effective. This internal control system judgment items adopted for "Standard for Treatment" are dividing the internal control system into five components in accordance with the process of management control: 1. Control environment; 2. Risk assessment; 3. Control operation; 4. Information and communication; and 5. Supervision operation. Each component further includes several items. Please refer to the provisions of "Standard for Treatment" for the above items.
- IV. This company has adopted the above internal control system judgment items to assess the effectiveness of design and performance of the internal control system.
- V. Based on the assessment results of the preceding paragraph, this company considers the internal control system (including the supervision and management of subsidiaries) on December 31, 2015 includes understanding the goal realization degree of effective and efficient operation, and reporting the effective design and performance of internal control system that is reliable, timely, transparent, and conforming to the relevant specification, namely the relevant laws and regulations, which can reasonably ensure the realization of the above goals.
- VI. This statement will become main contents of annual report and public instruction book of this company, and will be opened to the public. If the above disclosed contents have any hypocrisy, concealment and other illegal matter, the legal liability of Article 20, Article 32, Article 171 and Article 174, etc. in the Securities Exchange Act will be involved.
- VII. This statement had been passed on March 17, 2016 by the board of directors of this company. Among 7 attending directors, no one objects; all of them agree the content of this statement, and hereby state.

CHIEFTEK PRECISION CO., LTD.

Chairman: CHEN LI-FEN

General Manager: HSU MING-CHE

2. If the accountant is entrusted for project review of internal control system, the accountant review report shall be disclosed: None.

- (X) From the nearest year to the print date of annual report, circumstances of the company and internal personnel being punished according to law, and the company's punishment, main negligence and improvement for the internal personnel who violate the internal control system:
1. From the year of 2015 to the print date of annual report, the company and internal personnel have no punishment case due to major violation of the provisions of internal control system.
 2. In addition to strengthening the personnel education and training, this company requests the internal audit personnel to check at any time to reduce the occurrence of negligence.

- (XI) From the nearest year to the print date of annual report, important resolutions of the board of shareholders and the board of directors:
1. Important resolution content and performance situation of the general meeting of shareholders in 2015

Date of holding	Important resolution
June 25, 2015	(1) Pass the recognition of 2014 business report and financial statement scheme. (2) Pass the recognition of 2014 surplus distribution scheme. Performance situation: Specify July 20, 2015 as the ex-dividend base date, and August 7, 2015 as the payment date (NT\$0.5 for each share of distributed cash dividend), which is the same with the resolution of the general meeting of shareholders. (3) Pass the revision of some clauses of "Articles of Association". Performance situation: Approved by NS Zi No. 1040016792 of Southern Taiwan Science Park Administration of Ministry of Science and Technology (except the increase of capital sum in Article 5 of the articles of association that will not be registered) on July 7, 2015, and announced on the company website. (4) Pass the revision of "Rules of Procedure for the Board of Shareholders" and "Director and Supervisor Election Method". Performance situation: The handling had been implemented according to the revised procedures.

2. Important resolution of the board of directors

Meeting name	Starting date	Important resolution
Board of directors	March 26, 2015	(1) Pass the 2014 business report and financial report scheme. (2) Pass the 2014 director, supervisor compensation and employee dividend distribution scheme reviewed and passed by the compensation committee. (3) Pass the 2014 surplus distribution scheme. (4) Pass the "2014 Internal Control System Statement" scheme. (5) Pass the revision of some clauses of "Articles of Association". (6) Pass the scheme of holding 2015 general meeting of shareholders of this company. (7) Pass the 2015 annual budget. (8) Pass the increase of endorsement assurance for reinvestment in subsidiaries. (9) Pass the capital loan scheme of this company for reinvestment in subsidiaries. (10) Pass the independent assessment scheme of this company's certified accountant. (11) Pass the change in this company's sponsored accounting scheme. (12) Pass the revision of "Rules of Procedure for the Board of Shareholders" and "Director and Supervisor Election Method", etc.

Meeting name	Starting date	Important resolution
Board of directors	March 26, 2015	(13) Pass the revision of this company's "Code of Corporate Governance", "Moral Code of Conduct", "Code of faithful Management", etc. (14) Pass the application for financing limit to the bank.
Board of directors	May 8, 2015	(1) Pass the increase of endorsement assurance for reinvestment in subsidiaries. (2) Pass the increase of capital loan for this company's reinvestment in subsidiaries. (3) Pass the application for financing limit to the bank.
Board of directors	June 25, 2015	(1) Pass the formulation of ex-dividend base date and other related matters. (2) Pass the capital loan for this company's reinvestment in subsidiaries. (3) Pass the adjustment of drawing policy of this company's allowance for inventory valuation losses. (4) Pass the application for financing limit to the bank.
Board of directors	August 6, 2015	(1) Pass the manager's distribution of employee dividend of 2014 reviewed by the compensation committee. (2) Pass the director and supervisor compensation of 2014 reviewed by the compensation committee. (3) Pass the revision of some clauses of "Articles of Association". (4) Pass the capital loan for this company's reinvestment in subsidiaries. (5) Pass the cancellation of endorsement assurance for reinvestment in subsidiaries. (6) Pass the application for financing limit to the bank.
Board of directors	November 6, 2015	(1) Pass the formulation of "2016 Audit Plan". (2) Pass the formulation of "Plan of the Company To Enhance the Ability of Independent Preparation of Financial Report". (3) Pass the formulation of "Application for Suspension and Restoration of Trading Operation Procedures". (4) Pass the lawful setting of "Accounting Supervisor Duty Agent" and "Financial Report Preparation Related Accounting Personnel". (5) Pass the application for financing limit to the bank.
Board of directors	January 29, 2016	(1) Pass the 2015 year-end bonus distribution for the manager reviewed by the compensation committee. (2) Pass the modification of articles of association about the employee bonus and director, supervisor compensation reviewed by the compensation committee. (3) Pass the independent assessment of this company's certified accountant. (4) Pass the increase of reinvestment. (5) Pass the application for financing limit to the bank.
Board of directors	March 17, 2016	(1) Pass the 2015 year-end bonus distribution for the directors, supervisors reviewed by the compensation committee. (2) Pass the 2015 report and financial report. (3) Pass the 2015 surplus distribution scheme. (4) Pass the capital increase of by transferring of surplus and issuance of new shares in 2015. (5) Pass the 2015 "Internal Control System Statement". (6) Pass the scheme of supplemented election of directors.

Meeting name	Starting date	Important resolution
Board of directors	March 17, 2016	(7) Pass the scheme of holding 2016 general meeting of shareholders of this company. (8) Pass the Section 105 budget of this company. (9) Pass the endorsement assurance for reinvestment in subsidiaries. (10) Pass the signing of joint development contract. (11) Pass the adjustment of drawing policy of this company's allowance for inventory valuation losses. (12) Pass the application for financing limit to the bank.
Board of directors	May 5, 2016	(1) Pass the increase of endorsement assurance for reinvestment in subsidiaries. (2) Pass the application for financing limit to the bank.

(XII) From the nearest year to the print date of annual report, the directors or supervisors have different opinions for the important resolution passed by the board of directors, and there are records or written declarations of its main content: None.

(XIII) From the nearest year to the print date of annual report, summary of dismissal and separation of chairman, general manager, accounting supervisor, financial executive, internal audit supervisor and R&D supervisor, etc. of the company:

May 16, 2016

Title	Name	Employment date	Dismissal date	Reason for dismissal or separation
Accounting supervisor	HSU CHUN-MIN	2013.02.01	2015.03.26	Internal position adjustment

Notes: The company relevant persons mentioned refer to chairman, general manager, accounting supervisor, financial executive, internal audit supervisor and R&D supervisor, etc.

IV. Information of the accountant's public expense

Name of accounting firm	Name of accountant		Check period	Remarks
PricewaterhouseCoopers Taiwan	LIN TZU-YU	LIU TZU-MENG	2014	Cooperate with the internal organization adjustment of PricewaterhouseCoopers Taiwan.
PricewaterhouseCoopers Taiwan	LIN TZU-YU	LIU TZU-MENG	2015	

(I) Class interval table of information of the accountant's public expense:

Amount class interval		Item of public expense	Audit public expense	Non-audit public expense	Total
1	Below NT\$2,000 thousand		-	304	304
2	NT\$2,000 thousand (included) ~ 4,000 thousand		2,835	-	2,835
3	NT\$4,000 thousand (included)~ 6,000 thousand		-	-	-
4	NT\$6,000 thousand (included)~8,000 thousand		-	-	-
5	NT\$8,000 thousand (included)~10,000 thousand		-	-	-
6	Above NT\$10,000 thousand (included)		-	-	-
Total			2,835	304	3,139

(II) If the non-audit public expense paid to the certified accountant, the certified accountant affiliated firm and its associated enterprise is more than 1/4 of the audit public expense, the amount of audit and non-audit public expense and the content of non-audit service shall be disclosed: No such situation.

Information of the accountant's public expense

Name of accounting firm	Name of accountant	Audit public expense	Non-audit public expense					Check period of the accountant	Remarks
			System design	Industrial and commercial register	Human resource	Others	Subtotal		
Pricewaterhouse Coopers Taiwan	LIN TZU-YU	2,835	-	55	-	249	304	January 1~ December 31, 2015	Transfer pricing report, annual report recheck and others.
	LIU TZU-MENG								

(III) If the accounting firm is changed and the audit public expense paid in the year of change is less than the audit public expense of the previous year of change, the decreased amount, proportion and reason before and after the change shall be disclosed: No such situation.

(IV) If the audit public expense is decreased of more than 15% compared with that of the previous year, the decreased amount, proportion and reason of the audit public expense shall be disclosed: No such situation.

V. Information of change of accountant: None.

VI. Information of the company's chairman, general manager, manager in charge of finance or accounting affairs working in the certified accountant affiliated firm or its associated enterprise in the recent one year: None.

VII. From the nearest year to the print date of annual report, circumstance of changes in equity transfer and equity change of the directors, supervisors, managers and shareholders who hold more than 10% shares:

(I) Circumstance of changes in equity of directors, supervisors, managers and Substantial shareholders:

Unit: Share

Title	Name	2015		Current year to May 16	
		Number of increase (decrease) of shares held	Number of increase (decrease) of shares pledged	Number of increase (decrease) of shares held	Number of increase (decrease) of shares pledged
Chairman	CHEN LI-FEN	0	0	0	0
Director & General manager	HSU MING-CHE	0	0	0	0
Director	TSO YUAN-HUAI (Note I)	0	0	0	0
Director	CHENG SHENG-FEN	0	0	0	0
Director	WANG CHEN PI-HSIA	(45,000)	0	0	0
Independent director	CHEN-SHU	0	0	0	0
Independent director	WU CHUNG-JEN	0	0	0	0
Independent director	WEI NAI-CHANG	0	0	0	0
Supervisor	KUANG HSI-HUI	0	0	0	0
Supervisor	TSENG HSU-WEN	0	0	0	0
Supervisor	LI MEI	(18,000)	0	0	0
Manager	CHEN MIN-CHANG	0	0	0	0
Manager	PENG CHIUNG-YIN	0	0	0	0
Financial executive	LI PAI-TSANG	0	0	0	0
Accounting supervisor	HSU CHUN-MIN (Note II)	0	0	0	0
Accounting supervisor	LI PAI-TSANG (Note II)	0	0	0	0

Note 1: Mr. TSO YUAN-HUAI, director of this company, naturally dismissed due to death from an illness on July 24, 2015.

Note 2: Dismissed due to internal position adjustment on March 26, 2015, then LI PAI-TSANG, chief financial officer serves as the accounting officer.

Note 3: This company has no substantial shareholder who holds more than 10% shares.

(II) Equity transfer information:

Name	Equity transfer reason	Trading date	Trading counterpart	Relationship of the trading counterpart and the company, director, supervisor, shareholder who holds more than 10% shares	Number of shares	Trading price
WANG CHEN PI-HSIA	Donation	February 2, 2015	WANG CHING-YING	Mother and daughter	45,000	42.70

(III) Equity pledge information: None.

VIII. Information of the shareholder whose shareholding ratio ranks top 10, mutual relation of related person or spouse, domestic relation of parents or closer

May 16, 2016

Name	Shares personally held		Shares held by spouse, minor child		Total shares held in the name of others		Mutual relation of related person or spouse, domestic relation of parents or closer among the first ten substantial shareholders, their designation or name and relation		Remark
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Designation (or name)	Relation	
HSU MING-CHE	3,864,478	6.52%	2,858,614	4.83%	0	0%	CHEN LI-FEN	Spouse	
CHIEFTEK PRECISION CO., LTD.	3,000,000	5.06%	0	0	0	0%	CHEN LI-FEN HSU MING-CHE	Chairman of this company Director, general manager of this company	
CHEN LI-FEN	2,528,186	4.27%	4,194,906	7.08%	0	0%	HSU MING-CHE Deneng Sunshine Investment Co., Ltd. Deyuan Management Consulting Co., Ltd.	Spouse Chairman of this company Chairman of this company	
DAVID ENTERPRISE CO., LTD	2,318,807	3.91%	0	0	0	0%	Nil	Nil	
DENENG SUNSHINE INVESTMENT CO., LTD	1,376,791	2.32%	0	0	0	0%	CHEN LI-FEN	Chairman of this company	
WU PEI-FEN	1,294,291	2.19%	357,567	0.60%	0	0%	Nil	Nil	
WANG CHANG-FENG	1,199,302	2.02%	0	0	0	0%	Nil	Nil	
DEYUAN MANAGEMENT CONSULTANTS CO., LTD	1,011,705	1.71%	0	0	0	0%	CHEN LI-FEN	Chairman of this company	
TSO YUAN-HUAI	914,694	1.54%	434,774	0.73%	0	0%	Nil	Nil	
CHEN KU-HAO	724,626	1.22%	0	0	0	0%	Nil	Nil	

IX. Number of shares held for the same reinvestment business by the company's director, supervisor, manager and the company's directly or indirectly controlled business, and combined calculation of the comprehensive shareholding ratio:

May 16, 2016

Reinvestment business (Noes)	Investment of this company		Investment of the director, supervisor, manager and directly or indirectly controlled business		Comprehensive investment	
	Number of shares	Sharehold ing ratio (%)	Number of shares	Sharehold ing ratio (%)	Number of shares	Sharehold ing ratio (%)
CHIEFTEK PRECISION HOLDING CO., LTD.	6,760,000	100.00	-	-	6,760,000	100.00
CHIEFTEK PRECISION (HONG KONG) CO.,LTD	5,100,000	100.00	-	-	5,100,000	100.00
CHIEFTEK PRECISION USA CO.,LTD	1,660,000	100.00	-	-	1,660,000	100.00
CHIEFTEK MACHINERY (KUNSHAN) CO., LTD	Non-joint- stock system	100.00	-	-	Non-joint- stock system	100.00
cpc Europa GmbH	Non-joint- stock system	100.00	-	-	Non-joint- stock system	100.00
CSM Maschinen GmbH	Non-joint- stock system	80.00	-	-	Non-joint- stock system	80.00

Notes: It is investment accounted for under equity method.

IV. Fundraising Circumstance

I. Capital and shares

(I) Source of capital stock

Unit: NT\$ in thousand/Share in thousand

MM/YY	Issue price	Authorized capital stock		Paid-in capital stock		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital stock	Compensating for stock capital with the property beyond cash	Others
October 1998	10	500	5,000	500	5,000	Cash establishment of capital stock	Nil	Note 1
October 1999	10	2,500	25,000	2,500	25,000	Increment of cash NT\$20,000 thousand	Nil	Note 2
April 2000	10	4,120	41,200	4,120	41,200	Increment of cash NT\$16,200 thousand	Nil	Note 3
September 2000	10	9,900	99,000	9,900	99,000	Increment of cash NT\$57,800 thousand	Nil	Note 4
July 2001	10	15,000	150,000	15,000	150,000	Increment of cash NT\$51,000 thousand	Nil	Note 5
July 2002	10	21,000	210,000	21,000	210,000	Tech stock NT\$ 60,000 thousand	Tech stock 6,000,000 shares	Note 6
August 2003	18	27,000	270,000	27,000	270,000	Increment of cash NT\$ 60,000 thousand	Nil	Note 7
October 2003	18	29,000	290,000	29,000	290,000	Increment of cash NT\$20,000 thousand	Nil	Note 8
January 2004	18	36,000	360,000	34,000	340,000	Increment of cash NT\$50,000 thousand	Nil	Note 9
March 2004	18	36,000	360,000	36,000	360,000	Increment of cash NT\$20,000 thousand	Nil	Note 10
December 2009	30	50,000	500,000	36,056	360,560	Increment of cash NT\$560 thousand	Nil	Note 11
November 2010	10	50,000	500,000	37,859	378,588	Capital increase by transferring of surplus NT\$18,028 thousand	Nil	Note 12
September 2011	10	50,000	500,000	40,888	408,875	Capital increase by transferring of surplus NT\$30,287 thousand	Nil	Note 13
December 2011	83	50,000	500,000	43,388	433,875	Increment of cash NT\$25,000 thousand	Nil	Note 14
April 2012	24	50,000	500,000	44,008	440,079	Employee stock options NT\$6,204 thousand	Nil	Note 15
December 2012	10	50,000	500,000	48,409	484,087	Capital increase by transferring of surplus NT\$44,008 thousand	Nil	Note 16
January 2013	40	80,000	800,000	53,042	530,417	Increment of cash NT\$46,330 thousand	Nil	Note 17
January 2013	24	80,000	800,000	53,297	532,973	Employee stock options NT\$2,556 thousand	Nil	Note 18
September 2013	10	80,000	800,000	55,962	559,622	Capital increase by transferring of surplus NT\$26,649 thousand	Nil	Note 19

MM/YY	Issue price	Authorized capital stock		Paid-in capital stock		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital stock	Compensating for stock capital with the property beyond cash	Others
March 2013	24	80,000	800,000	56,208	562,086	Employee stock options NT\$2,464 thousand	Nil	Note 20
June 2013	10	80,000	800,000	59,019	590,190	Capital increase by transferring of surplus NT\$28,104 thousand	Nil	Note 21
December 2013	24	80,000	800,000	59,234	592,338	Employee stock options NT\$2,148 thousand	Nil	Note 22

Note 1: Approval of JY Zi No. 87340468 of Construction Bureau of Taipei City Government on October 19, 1998.

Note 2: Approval of BSJSE Zi No. 88345971 of Construction Bureau of Taipei City Government on October 25, 1999.

Note 3: Approval of BSJSE Zi No. 89280975 of Construction Bureau of Taipei City Government on April 28, 2000.

Note 4: Approval of BSJSE Zi No. 89325503 of Construction Bureau of Taipei City Government on September 27, 2000.

Note 5: Approval of J(2001)S Zi No. 09001228200 of Civil Services of Doc, MOEA on July 3, 2001.

Note 6: Approval of J(2002)S Zi No. 09101304180 of Civil Services of Doc, MOEA on July 31, 2002.

Note 7: Approval of JSZ Zi No. 09232488100 of Civil Services of Doc, MOEA on August 8, 2003.

Note 8: Approval of JSZ Zi No. 09232808800 of Civil Services of Doc, MOEA on October 20, 2003.

Note 9: Approval of JSZ Zi No. 09331593930 of Civil Services of Doc, MOEA on January 29, 2004.

Note 10: Approval of JSZ Zi No. 09331877650 of Civil Services of Doc, MOEA on March 29, 2004.

Note 11: Approval of NS Zi No. 0980028767 of Southern Taiwan Science Park Administration on December 25, 2009.

Note 12: Approval of NS Zi No. 0990024356 of Southern Taiwan Science Park Administration on November 5, 2010.

Note 13: Approval of NS Zi No. 1000023845 of Southern Taiwan Science Park Administration on September 23, 2011.

Note 14: Approval of NS Zi No. 1000029971 of Southern Taiwan Science Park Administration on December 6, 2011.

Note 15: Approval of NS Zi No. 1010007820 of Southern Taiwan Science Park Administration on April 6, 2012.

Note 16: Approval of NS Zi No. 1010026797 of Southern Taiwan Science Park Administration on October 30, 2012.

Note 17: Approval of NS Zi No. 1020000730 of Southern Taiwan Science Park Administration on January 11, 2013.

Note 18: Approval of NS Zi No. 1020003932 of Southern Taiwan Science Park Administration on February 18, 2013.

Note 19: Approval of NS Zi No. 1020022718 of Southern Taiwan Science Park Administration on September 11, 2013.

Note 20: Approval of NS Zi No. 1030007680 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on March 28, 2014.

Note 21: Approval of NS Zi No. 1030022837 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 5, 2014.

Note 22: Approval of NS Zi No. 1040001256 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on January 15, 2015.

(II) Shares and capital

May 16, 2016/ Unit: Share

Stock class	Authorized capital stock (Note 1)			Remarks
	Outstanding stock	Unissued Stock	Total	
Registered common stock (stock of over-the-counter stock)	59,233,799	60,766,201	120,000,000	Limit of employee stock options 3,000,000 shares

Note 1: On June 25, 2015, the general meeting of shareholders passed the modification of the articles of association and increase of the nominal capital amount to NT\$1,200,000 thousand (120,000,000 shares), which had obtained the approval of NS Zi No. 1040016792 Letter of Southern Taiwan Science Park Administration of Ministry of Science and Technology on July 7, 2015 (except the increase of capital sum in Article 5 of the articles of association that will not be registered temporarily).

Note 2: Relevant information of summary of reporting system: Not applicable.

(III) Shareholder structure

May 16, 2016/ Unit: Share

Shareholder structure	Government agency	Financial institution	Other legal person	Individual	Foreign institutions and foreigners	Total
Quantity						
Number of people	0	0	17	4,643	5	4,665
Number of shares held	0	0	9,636,390	48,919,154	678,255	59,233,799
Shareholding ratio	0.00%	0.00%	16.27%	82.59%	1.14%	100.00%

(IV) Shares distribution circumstance

May 16, 2016/ Unit: Share

Grouping of shares held	Number of shareholders	Number of shares held	Shareholding ratio
1~999	1,416	209,670	0.35%
1,000~5,000	2,374	4,628,319	7.81%
5,001~10,000	380	2,633,330	4.45%
10,001~15,000	146	1,721,058	2.91%
15,001~20,000	68	1,197,394	2.02%
20,001~30,000	63	1,515,725	2.56%
30,001~50,000	62	2,397,232	4.05%
50,001~100,000	63	4,416,044	7.46%
100,001~200,000	33	4,552,565	7.69%
200,001~400,000	36	10,160,681	17.15%
400,001~600,000	10	4,808,698	8.12%
600,001~800,000	5	3,484,829	5.88%
800,001~1,000,000	1	914,694	1.54%
Above 1,000,001	8	16,593,560	28.01%
Total	4,665	59,233,799	100.00%

(V) List of major shareholders

Name, number of shares held and shareholding ratio of the shareholders whose equity proportion reaches more than 5% shares or whose equity proportion ranks top 10:

May 16, 2016/ Unit: Share

Name of major shareholders	Stock	Number of shares held	Shareholding ratio
HSU MING-CHE		3,864,478	6.52%
CHIEFTEK PRECISION CO., LTD.		3,000,000	5.06%
CHEN LI-FEN		2,528,186	4.27%
DAIWEI ENTERPRISE CO., LTD.		2,318,807	3.91%
DAVID SUNSHINE INVESTMENT CO., LTD		1,376,791	2.32%
WU PEI-FEN		1,294,291	2.19%
WANG CHANG-FENG		1,199,302	2.02%
DEYUAN MANAGEMENT CONSULTING CO., LTD.		1,011,705	1.71%
TSO YUAN-HUAI		914,694	1.54%
CHEN KU-HAO		724,626	1.22%

(VI) Market price, net value, surplus, dividend of each share and relevant data in recent two years

Item		Year	2014	2015	Current year to May 16, 2016
Market price of each share (Note 1)	Highest		64.30	43.90	36.80
	Lowest		28.25	21.60	24.35
	Average		53.22	30.26	31.27
Net value of each share (Note 2)	Before distribution		21.75	22.28	22.57
	After distribution		21.28	(Note 9)	Not applicable
Surplus of each share	Weighted average number of shares		58,852	56,244	56,234
	Surplus of each share (Note 3)	Before adjustment	0.35	1.26	0.35
		After adjustment	0.34	(Note 9)	Not applicable
Dividend of each share	Cash dividend		0.50	(Note 9)	Not applicable
	Stock grants	Rationed shares of surplus	0	(Note 9)	Not applicable
		Rationed shares of capital reserve	0	(Note 9)	Not applicable
	Cumulative unpaid dividend (Note 4)		0	0	0
Analysis of investment reward	Price-earning ratio(Note 5)		130.71	25.72	19.65
	Price-dividend ratio (Note 6)		91.50	64.81	Not applicable
	Yield to maturity of cash dividend (Note 7)		1.09%	1.54%	Not applicable

* In case of the allotment of shares through transfer of surplus or capital reserve to increase the capital, the market price and cash dividend information of the issued shares retroactively adjusted shall be disclosed.

Note 1: List the highest and lowest market price of common stock of each year, and calculate the average market price of each year according to the trading value and trading volume of each year.

Note 2: Please fill in based on the number of shares issued at the end of the year and the resolution of distribution of the board of shareholders in next year.

Note 3: If the retroactive adjustment is required due to stock grants, etc., the surplus of each share before and after adjustment shall be listed.

Note 4: If the issuance condition of equity securities requests the unissued dividend of that year should be accumulated to the issuance of surplus year, the cumulative unissued dividend by the end of current year shall be respectively disclosed.

Note 5: Price-earning ratio=Average closing price of each share of current year / Surplus of each share.

Note 6: Price-dividend ratio=Average closing price of each share of current year / Cash dividend of each share.

Note 7: Yield to maturity of cash dividend=Cash dividend of each share / Average closing price of each share of current year.

Note 8: The net value of each share, surplus of each share shall be filled in with the data checked (checked and approved) by the accountant in the nearest quarter by the end of print date of annual report, while the rest of field shall be filled in with the data of current year by the end of print date of annual report.

Note 9: 2015 surplus distribution scheme has not been passed by the general meeting of shareholders of 2016.

(VII) Dividend policy and performance situation of the company

1. Dividend policy:

The general final accounts of current year of this company shall be distributed according to the following order in case of surplus:

I. Pay duties and taxes.

II. Cover the deficit.

III. Withdraw 10% as the statutory surplus reserve.

IV. If necessary, withdraw or transfer back the special surplus reserve in accordance with the provisions of laws or competent authorities.

V. For the balance after deduction of the amount withdrawn from the above Paragraph I to paragraph IV, as well as the undistributed surplus of the previous years, the board of directors shall draft a distribution proposal, and submit it to the board of shareholders to decide whether to distribute the shareholder dividend or reserve it, but the dividend distribution amount shall not be lower than 20% of the remaining amount after deduction of the profit of current year according to the provisions of Paragraph I to paragraph IV.

In order to continuously expand the operation scale, enhance the competitive strength, and cooperate with the company's long-term business development, future fund demand and long-term financial planning, the dividend distribution policy shall give priority to stock dividend and collocation of part of the cash dividend. The cash dividend distribution sum shall not be lower than 10% of the sum of shareholder dividend to be distributed.

2. Performance situation:

This company's 2015 surplus distribution scheme had been passed by the resolution of the board of directors on March 17, 2016. Please refer to the following table for 2015 surplus distribution table.

CHIEFTEK PRECISION CO., LTD.
Surplus distribution table
2015 of the Republic of China

Unit: NT\$ in thousand

Item	Amount	
	Subtotal	Total
Undistributed surplus balance at the beginning of the period		\$ 245,203,924
Decrease: Confirmation of actuarial losses of benefit plan		(3,151,636)
Reserved surplus at the beginning of the period after adjustment		242,052,288
Distributable surplus available of this year		
Current net income after tax	70,782,532	
Decrease: Drawing of 10% statutory surplus reserve	(7,078,253)	
Distributable surplus of this year		63,704,279
Cumulative distributable surplus		305,756,567
Listed allotment of this year		
Shareholder dividend-Cash (distribution of NT\$ 0.5 for each share)	(28,116,900)	
Shareholder dividend-Stock (distribution of NT\$ 0.5 for each share)	(28,116,900)	
Subtotal of distributed amount		(56,233,800)
Undistributed surplus balance		\$ 249,522,767

Notes:

1. The surplus distribution for this time will give priority to distribution of 2015 surplus.
2. The cash dividend shall be calculated according to the shareholding ratio of shareholders recorded in the shareholders ledger on the dividend distribution base date, until distributed to NT\$1 (neglecting all those less than NT\$1). After the above dividend distribution is passed by the general meeting of shareholders, the board of directors shall be authorized to further arrange the dividend distribution base date and designate special persons for handling all the cash dividend of less than NT\$1.

(VIII) Effects of the stock grants proposed by the board of shareholders for this time on the company's business performance and surplus of each share:

The resolution of the board of directors of this company passed 2015 surplus distribution scheme on March 17, 2016, the capital increase by transferring of surplus was NT\$28,116,900 (distribution of 50 shares for every 1,000 shares), and the paid-in capital amount after the capital increase was NT\$620,454,890. In 2015, the surplus of each share was NT\$1.26, and the surplus of each share after the retroactive adjustment was NT\$1.20, with the dilution ratio of about 4.76%. In addition, the future operation of this company will still continue to grow. Therefore, on the whole, the distribution of stock grants in 2015 should have no significant effect on the company's business performance and surplus of each share.

(IX) Remuneration of employees, directors and supervisors:

1. Percentage or range of remuneration of employees, directors and supervisors specified in the articles of association:

In accordance with the articles of association of this company, during the distribution of surplus, the remuneration of directors and supervisors should not be more than 3%, and the employee bonus shall be 3%-8%. However, in response to the provisions of the revised company law on May 20, 2015, this company had passed the amendment to the articles of association through the board of directors on August 6, 2015. According to the provisions of the revised articles of association, this company should distribute 3%-8% of profit of current year to reward employees, and should distribute no more than 3% of profit of current year to reward directors and supervisors. But when the company has accumulated loss, it should be covered. The employee remuneration should be distributed in cash or stock, and those who are distributed with cash or stock should meet certain conditions of being affiliated to the company employees. These certain condition should be formulated by the board of directors.

The amendment to the articles of association will be submitted to the general meeting of shareholders of 2016.

2. Accounting treatment on difference between the estimation basis for estimation of remuneration amount of employees, directors and supervisors, shares calculation basis for employee remuneration distributed in stock, actually distributed amount, and the estimated amount of current period:

In accordance with the provisions of (2007) JM Zi No. 052 Letter released by Accounting Research and Development Foundation of the Republic of China in July 2007, this company should take the employee bonus, remuneration of directors, supervisors as the expenses, instead of surplus distribution. For the remuneration of directors, supervisors and employee bonus of current period, if the actually distributed amount through the resolution of the board of shareholders differs from the estimated amount, it will be regarded as changes in accounting estimate, and listed as the profit and loss of 2016. The surplus of each share of 2015 has fully reflected the effects of employee bonus, remuneration of directors, supervisors on profit-making, thus this will not affect the estimated calculation of surplus of each share.

3. Circumstance of passing the remuneration distribution by the board of directors:

- (1) Employee remuneration and remuneration amount of directors, supervisors distributed in cash or stock: In case of difference with the annual estimated amount of recognized expenses, the difference amount, reason and treatment shall be disclosed:

This company passed the employee remuneration of NT\$6,850,448, and the remuneration amount of directors, supervisors of NT\$2,568,918 through the resolution of the board of directors on March 17, 2016. Such remuneration should be distributed in cash, and same with the annual estimated amount of recognized expenses.

- (2) Amount of employee remuneration distributed in stock and proportion occupied in sum of individual or individual financial reporting profit (loss) for the year and total amount of employee remuneration of current period: The cash method is adopted for this time, therefore it is not applicable.

4. Circumstance of actual distribution of remuneration of employees, directors and supervisors of the previous year (including the number of shares distributed, amount and share price), any difference with the recognized remuneration of employees, directors and supervisors, and detailed description of different amount, reason and treatment.

- (1) The employee bonus actually distributed by this company in 2014 was NT\$1,504,100.
- (2) The remuneration of directors and supervisors actually distributed by this company in 2014 was NT\$564 thousand.
- (3) The original board of directors passed the employee bonus, remuneration of directors and supervisors of 2014, and such remuneration was distributed to employees, directors and supervisors in 2015; meanwhile, the proposed distribution amount passed by the original board of directors was same with the actually distributed amount.

(X) Circumstance of repurchase of this company's shares:

Repurchase time	First time (period)
Repurchase purpose	Transfer shares to employees.
Repurchase period	From November 12, 2014 to January 9, 2015
Price range of repurchase	NT\$22.30 to NT\$50.40 for each share
Class and quantity of repurchased shares	Common stock of 3,000,000 shares
Amount of repurchased shares	NT\$118,543,503
Quantity of shares having already been handled with elimination and transfer	0
Quantity of shares of this company cumulatively held	Common stock of 3,000,000 shares
Ratio (%) of quantity of shares of this company cumulatively held in total shares issued	5.06%

II. Corporate bonds handling circumstance: None.

III. Special stock handling circumstance: None.

IV. Handling circumstance of Global Depositary Receipts (GDR): None.

V. Employee subscription right voucher and circumstance of restriction on handling the employee right offering:

(I) Circumstance of handling the company's unexpired employee subscription right voucher: None.

(II) Accumulated to the print date of annual report, name, obtaining and subscription circumstance of the manager who obtains the employee subscription right voucher and the employee who obtains the voucher, and can subscribe top 10 shares: None.

(III) Circumstance of handling the private employee subscription right voucher in recent three years: None.

(IV) Circumstance of restriction on handling the employee right offering in the nearest year to the print date of annual report: None.

VI. Circumstance of handling of new issue of shares with merger or assignee of other corporate stock: None.

VII. Funds application plan performance circumstance:

This company has no issuance or private placement of negotiable security in the previous times that has not been completed or has been completed in the recent three years and the planned benefit has not been shown.

V. Operational Highlights

I. Business content

(I) Business scope:

1. Business scope:

(1) Main content of the operating business:

CB01990 other mechanical manufacturing industry.

F401010 international trade.

Research, develop, manufacture and sell the following products:

A. Miniature and standard type linear guide

B. Miniature and standard type linear module

C. Photovoltaic and semiconductor process equipment

D. Concurrently engaged in international trade related to the above products

(2) Business proportion:

Unit: NT\$ in thousand

Product name	2014		2015	
	Amount	%	Amount	%
Linear guide	1,009,262	99.25%	984,741	96.36%
Linear motor	7,658	0.75%	37,242	3.64%
Total	1,016,920	100.00%	1,021,983	100.00%

(3) Commodity (service) items of the company at present:

A. All series linear guide

B. All series linear motor

C. Linear motor servo driver

D. Linear motor module and subsystem

E. Linear motor cartesian coordinate robot

F. Driver software function upgrade

(4) New commodity (service) items planning to be developed:

A. DD Motor

B. Water-cooled linear motor

C. 20A linear motor driver

D. Magnetic scale sensing component

E. Micro size of 2mm and 1mm linear guide

2. Industry introduction

(1) Current situation and development of the industry

Due to the increasingly fierce market competition, especially the mainland market that has become the world factory, it takes low price product as the orientation, making the world's manufacturing industry speed up to low production cost, and the production manpower, production manufacturing speed, new product development speed must be constantly improved. Therefore, the automation of production equipment, numerical control (CNC/NC) and factory automation (FA) have become the goal constantly input and improved for all manufacturing industries today. Now the concept of industry 4.0 must be specific, and the industrial automation shall integrate the existing revolutionary information industry. "Precision", "Speed / Efficiency", "Reliability / Quality", "Durability / Service Life", "Micromation / Multifunction", "Flexibility / Diversity" and "Energy Saving/ Environmental Protection" are the most important requirements of automation and the goals needing to be constantly improved. While the information era puts emphasis on "Big Data Integration", "Information Processing / Communication / Transmission / Confidentiality...", "Remote Control", "AI Intelligence", which can improve the industry to a higher level. Therefore, the electromechanical control technology will be further added with information intelligence; the innovative development of electromechanical component and

high-value / precision / information intelligence will also become very important factors.

The mechanical actuation required for all production equipment and factory automation (FA) includes rotational motion and linear motion. Main electromechanical components include:

A. Motor components: Motor (electric generator class)

The motor has a very wide range of types, which is closely related to our daily life, such as consumer products of 3C and electrical appliances, industrial products of motor vehicles, aerospace, medial, electronic, electric, automatic tools, machines and equipment, etc. that are absolutely necessary.

It can be roughly divided into induction motor, step motor, servo motor, linear motor and even micro motor according to the type, with the power varying from mini Watt to mega Watt.

The advantages and disadvantages of motor performance can be judged from: 1.

Motor constant (specific value of power / heating); 2. Power density (specific value of power / volume); insulating property, waterproofness, durability, reliability, etc.

B. Control components

Such components include frequency converter, driver, controller (shaft clip), PLC and other accessories, such as communication adapter card, security system module, power supply, relay, switch, wire and cable, etc.

C. Sensing components

There are such components like human's nerve, including encoder, optical scale, image recognition, accelerometer, gyroscope, strain gauge and other components known very well, and there are all other components that can sense the information of different source, and analyze, conclude it into available signal. With the development of technology, the innovation of this aspect quickly changes at a tremendous pace and is limitless.

D. Mechanical components:

Bearing guidance components: Bearing, linear guide.

Power transmission components: Gear, rack, belt, oil and gas pressure cylinder, ball screw.

There are many other components of different properties, such as locking joint, leak-proof, braking, spring, etc.

The range of products of this company at present concentrates on high additive value. The linear motion products with relatively new technology include linear guide, linear motor, linear motor servo driver, linear motor module, customized linear motor mechanical and electrical system, etc., with its industry introduction as follows:

a. Linear guide

The linear guide is a low friction component that takes the linear motion rolling bearing and guidance as the purpose. The characteristics of the linear guide superiority lie in high load capacity, high service life, high precision, high rigidity, high speed, low friction resistance, small energy consumption, small space, standardization, and low cost.

In the linear motion, the linear guide is main component for load bearing and linear guidance. As the industry has increasing requirements for yield rate, speed and space application, etc., the linear guide must have high load capacity, high service life, high rigidity, high precision, high speed, low friction resistance, small energy consumption, small space, standardization, low cost and other conditions to meet the industry requirements.

The linear guide can be divided into the following according to different rolling elements:

- Ball type linear guide
- Roller type linear guide

According to the size, it can be divided into:

- Miniature type linear guide (size of 1, 2, 3, 5, 7, 9, 12, 15)
- Standard type linear guide (size of 15, 20, 25, 30, 35, 45, 55, 65)
- Ultra-large type linear guide (size of 85, 100, 125)
- Wide type linear guide (size of 17, 21, 27, 35)

In different areas, and according to different industry types, the linear guide is widely used in the straight-line motion mechanism of precision machinery and equipment, automation equipment, medical instrument, food and aerospace science and technology equipment, etc. Because of the rapid development of mobile phone, tablet personal computer and other handheld type 3C products, the application of its main manufacturing equipment and non-standard automation equipment is continuously increasing, and the requirement for precision and efficiency, etc. of equipment is also relatively increasing. In addition, with the progress of medical technology and other precision equipment, the application of micro machinery is also relatively increasing, and the space application and precision of miniature type linear guide in space also become relatively important. Therefore, the linear guide has a significant impact on precision, efficiency, quality and cost, etc. of equipment and product manufacturing.

As the linear guide is applied to all mechanical equipment needing the linear actuation, each manufacturing industry belongs to the application range, which is classified as follows according to the characteristics:

- High precision requirement: Toolroom machine, measuring instrument, semiconductor equipment.
- High speed requirement: Automation machinery and equipment, toolroom machine, electronic industry machinery, packaging and printing equipment, optoelectronics industry.
- High load requirement: Large-scale toolroom machine, shock absorption system.
- High rigidity requirement: Toolroom machine.
- Miniaturization requirement: Semiconductor equipment, electronic machinery, biotechnology, medical equipment, optoelectronics industry.
- Low noise requirement: Semiconductor equipment, electronic machinery, mechanical arm, measuring instrument.
- Low cost requirement: General industry, mechanical arm, handling machinery.

Those belonging to the bulk include the toolroom machine industry, automation industry, semiconductor packaging equipment, LCD panel and solar cell process equipment, electronic machine, testing and measuring equipment, biomedical instrument, handling equipment, printing machine, wood-working machine, etc.

Nowadays, the world still has low prosperity. In the face of strong competition of red supply chain, only when they continuously improve their own technology threshold, integrate the experience and software strength can they survive in the market. On the marketing strategy, the application level needs to be expanded, and the method of industry cooperation should be adopted for strategic alliance with the peripheral industry to avoid becoming the victim of top-heavy trend under the industry 4.0.

At present, the core application products developed by this company include the linear guide, linear motor and linear motor module. The linear guide manufactured by CHIEFTEK PRECISION has had quite visibility and market share in the market of international linear motion components; especially for the miniature linear guide, the miniature linear guide with the size of 2mm has been measured, with the technology superior to the industry. Later, the high thrust density linear motor products developed by the dominant plan benefits of Ministry of Economic Affairs have also

gradually won the popularity in the market, and improved the company's revenue.

CHIEFTEK PRECISION adopts the research and development and mass production technology of such high precision products of linear guide and linear motor, and integrates the linear guide, linear motor, linear encoder and other structural parts as a complete linear motor module to be provided to the user. In other words, CHIEFTEK PRECISION cannot just simply provide key components, but also can provide technical support in the manner of total solution for the customers, which thus can make the customers avoid being unfamiliar with the use in the preliminary stage, can expand the company's scope of business areas, and even can meet the customized application requirement of the users by using the company's accumulated precise machinery technology through the ages.

b. Linear motor

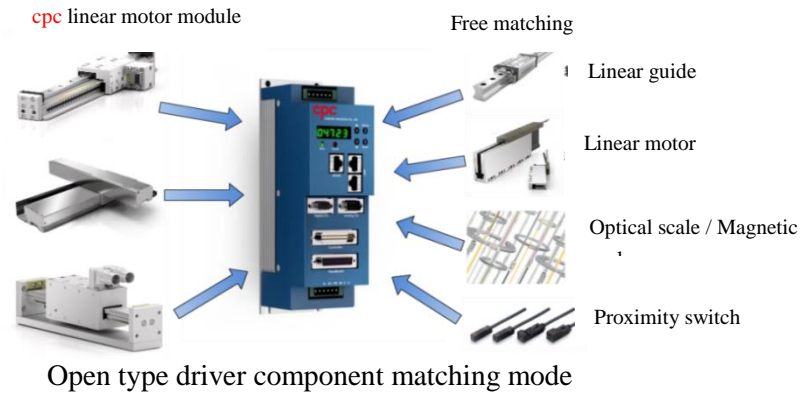
Due to the direct drive system, the linear motor is favored by the equipment manufacturers who have high capacity, high precision requirements, and the market acceptance also becomes increasingly high. Although the overall linear motor module is gradually traded in the market, many other experienced customers choose components for self-assembly; both ironcore series and ironless series have their respective suitable market. For example, as the ironless series has no cogging force, it has smooth speed ripple, and is especially suitable for application of scanning. As the suction between mobile stator is 0, the mechanism volume can be shortened to save space; while the ironcore series has the advantage of high thrust density, it is suitable for using in the occasion of point-to-point motion.

c. Linear motor servo driver

With the arrival of industry 4.0, the demand for industry 3.0 is increasing greatly. The industry 3.0 mainly lies in the capacity of industrial automation, and with low prosperity of the world, the demand of domestic equipment manufacturers for localized components increases rapidly. CHIEFTEK PRECISION has always been a manufacturer of key components of precision machinery in the internal market; for example, linear guide, linear motor, linear motor module and even industrial robot are all independently developed and manufactured. In the aspect of drive control technology, for the linear motor driver, there is almost no completely independently developed product in the domestic, and most of them are matched with the system of Europe and the United States, causing the price competitiveness decreases significantly, and the independent technology is restricted. From the perspective of practical experience, when the marketing strategy of matching with the European driver is adopted, the existing linear motor market development generally concentrates on the sale of complete system, thus the biggest advantage is that the customer can maintain the fixed technology window, but may be also easily closed by the technology like Japanese brands to implement the price bundling, which may reduce the competitiveness on the contrary.

The main key components of industrial robot used in the industry include linear motor, linear guide, base, optical scale and driver. In order to cope with the demand brought by the industry 4.0 and industrial robot, the total solution for the customers' independent matching of each key component and the overall mechanical and electrical integration shall be provided.

CHIEFTEK PRECISION will develop the linear motor driver truly meeting the market demand with many years' experience in mechanical and electrical integration. Such driver can not only match with the linear motor module produced by CHIEFTEK, but also can freely match with the linear motor, linear guide and optical scale (as shown in the following figure) sold in the market. In addition, by using the existing sales channel, CHIEFTEK PRECISION has established the driver brand of proprietary technology in the domestic.



d. Linear motor cartesian coordinate robot

For the composition of linear positioning stage of the cartesian coordinate robot, the linear motor does not need other transmission components. The coordinate robot of direct drive has more and more trend, and the improvement of speed, precision and reliability, etc. performance makes the direct drive robot become absolutely necessary in the high-technology industry automation area of semiconductor, electronics, panel and solar energy, etc.

e. Driver software function upgrade

In recent years, the high precision, high speed automation industry is growing year by year. In addition to the high reliability driver provided by the original closed system integration manufacturer, the open type and high compatibility linear motor driver begins to appear because the price stays at a high level. Its development trend is as follows:

- (a) Simple setting and easy operation: The additional auxiliary function is added to improve the system stability, precision and application range.
- (b) Data capture and analysis function.
- (c) Gain scheduling function.
- (d) Motion complied language.
- (e) High-speed network communication interface.
- (f) Anti cogging compensation function.

(2) Relevance of industry upstream, midstream, downstream

Upstream industry: Raw material supply: Alloy steel / Stainless steel / Copper wire / Magnet.

Processing industry: Cold drawing, forging, heat treatment, precision cutting processing, PCB panel layout processing, SMT assembly.

Material supply: Precision ball, roller, precision injection molded parts, electronic component (IC component, passive component).

Midstream industry: Manufacturing of linear motion components.

Linear guide, ball screw, linear motor, linear module / stage.

Supporting cooperation industry: Mould designing and manufacturing, special processing machine.

Precision spindle, high frequency spindle, controller, driver.

Downstream industry: Toolroom machine industry, automation industry, semiconductor industry.

LCD panel and solar cell industry, electronic industry.

Medical and biotechnology industry, optical instrument industry.

Aerospace and defense industry, general machinery industry.

3. Each development trend and competition circumstance of products

(1) Product development trend

The linear motion products include the development trend of linear guide, linear motor, ball screw, linear module / stage, etc. According to the perspective opinions and development policies of professional research institutes, benchmarking enterprises at home and abroad, to scan the global major topics from the aspects of society, technology, economy, environment and policy, several items affecting the major trend of industry development can be summarized. In the social aspect, although the world's population is still growing in the future, the population structure acceleration develops towards the low birth rate, which causes the labor cost rise or manpower shortage, and gradually increases of the demand of automation equipment. In addition, people's life and living standard are continuously improved; the consumption patterns become more diversified; the market board also produces obvious changes; the proportion of traditional field of toolroom machine, electronic equipment, etc. adherent for linear transmission gradually declines; the medical, biotechnological, food and new energy equipment becomes the focus competed and pursued by the manufacturer; the properties of products change from putting emphasis on high load, high precision, high efficiency, high speed in the past to putting emphasis on energy saving, intelligent and humanization. The green sustainable concept is gradually implemented in different levels of the society. the consumers and producers actively rethink the allocation and application of resources. In addition to putting emphasis on increase of basic energy efficiency, the linear transmission products also put emphasis on environmental protection and energy saving, intelligent design innovation. The manufacturers' constantly updating of environmental protection and energy saving products has also become an important topic.

Taiwan is one of the preferred choice of manufacturing and processing of OEM/ODM in the whole world. The domestic manufacturers not only reduce the cost and impact of the external environment change through the process improvement and acceleration of overseas investment, but also invest more factory automation by virtue of the strength of upstream, downstream manufacturers to provide competitiveness! The soft power of Taiwan manufacturers gradually transforms from toolroom machine, photoelectricity, semiconductor to new energy and other industrial machinery, even the field of cars and electronic consumption products. In the long term, the application area of linear transmission mechanical and electrical products will tend to be diversified, which is also important and key for the development and survival of domestic manufacturers. With the constant expansion of the emerging application areas, and continuous improvement of the performance, thus the application range will be also continuously expanded.

In addition, the robot is mainly divided into the industrial robot and service robot. The production of global industrial robot in 2013 at least exceeded 150,000 sets. According to the estimation of IFR (International Federation of Robotics), the production of global industrial robot in 2014 exceeded 200,000 sets. To 2017, the global industrial robot market will grow to exceed 280,000 sets, and the research institute Freedoniau also estimated that the global market demand of industrial robot in 2021 may reach 15 billion dollars, and the linear motor system may occupy about 5-10%. Figure I is the industrial robot industry chain. CHIEFTEK PRECISION has stepped the technical field into the linear motor and driver in the drive module, which has great international competitiveness.

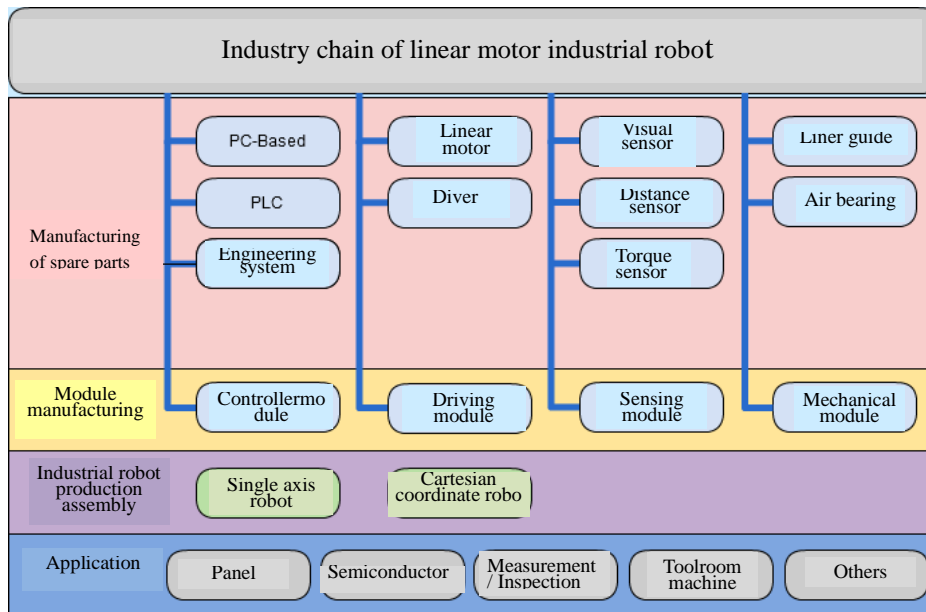


Figure I: Industrial robot industry supply chain

(2) Competition circumstance

A. Linear guide

The world's first largest linear guide company is Japan's THK, and the second is Germany's Bosch Rexroth, then Schaeffler, HIWIN, IKO, PMI, Schneeberger, **cpc**, NB, etc. The quality leaders are mainly THK, Bosch Rexroth, INA, then IKO, Schneeberger, **cpc**.; while the price leaders are HIWIN, PMI, TBI, etc.

When the linear guide manufacturers continuously increase the company establishment in the mainland with some large factories, in addition to the quality, the price competition is also increasingly fierce. **cpc** has actively put into development of large-scale high load and high rigidity linear guide, and improved the process and design to increase profits. Meanwhile, in response to the fiercely competitive market price, it has also actively developed the high-tech products, such as the linear guide with the miniature size of 1mm and 2mm, to provide the market demand of high precision and micro machine.

B. Linear motor

The main suppliers of linear motor include high popularity established companies of Parker, Technotion, Siemens, Anorald, Etel, Fanuc, Yaskawa, etc. of Europe, the United States and Japan, and new manufacturers of Akribis, HIWIN, PBA, **cpc**, etc. For the above well-known companies, except the linear motor that mainly adopts the high level control drive system, the high level complex system application occasion is mainly adopted, belonging to high unit price products; while the new manufacturers mainly adopt the middle and low level application occasion, though mainly belonging to low price simple type application occasion, with the development of factory automation, the market demand is big and grows continuously. The linear motor products of this company at present all have been mature, and to meet the market demand, the linear motor with the world's highest efficiency has been developed. Meanwhile, this company actively cultivates the electric control personnel for mechanical and electrical integration. After all, the terminal customers most care about the motor performance shown by the real machine. At present, this company has matched with its own or cooperated with the driver and optical scale manufacturer of other brands to provide customers with the choice of selling the whole system, and to meet the customers' application demand with a precise machine debugging and after-sales service.

C. Linear motor cartesian coordinate robot

The linear motor industrial robot system may have different mechanism design according to the customers' actual demand, which can have good dynamic characteristics of high precision and high speed for whatever design. At present, most of the domestic still gives priority to foreign manufacturers. Because the establishment of a linear motor system not only needs the cooperation of drive control, but also needs to be done well from the most basic components. At present, CHIEFTEK PRECISION has grasped the manufacturing and development of key components. With profound foundation of mechanical background, the robot manufactured has high reliability, and matched with the independently developed linear motor driver, it has both soft power and hardware power, which is recognized by the market since its introduction.

D. Linear motor servo driver

Item	CHIEFTEK PRECISION	Manufacturer A	Manufacturer B	Manufacturer C
Technology source	Proprietary technology	Proprietary technology	Merger	Proprietary / OEM
Main field	Linear / Rotation	Rotation / Linear	Linear / Rotation	Rotation / Linear
Main application	Trajectory / Point-to point	Point-to point	Trajectory	Trajectory/ Point-to point
Auto tuning	Yes	Incomplete	Yes	Incomplete
Error compensation	Yes	No	Yes	No
EtherCAT	Yes	Yes	Yes	Yes
Cogging compensation	Yes	No	No	No
Innovative control mode	Yes	No	No	Yes
Simulation resegmentation	Yes	Yes	Yes	Yes
Internal control	Complete	Incomplete	Complete	Incomplete

From the table, we can know that the linear motor driver developed by CHIEFTEK PRECISION has more complete technology in the function than other company brands in the domestic.

Although to some extent, we need to make efforts to catch up compared with foreign products, CHIEFTEK PRECISION has a great advantage in the price compared with foreign products. At present, the current product supply market has the product characteristic of higher cost performance. It will develop the higher level drive products in the future by using the industry-academy cooperation, and its own practical experience in linear motor.

(III) Technology and research and development situation

1. Technological level and research and development of the operated business

In addition to maintaining the sales of linear guide, linear motor, **cpc** also increases the linear motor servo driver in the aspect of linear motion components to expand the market territory, and it integrates its own products to provide customers with CLS linear motor module and customized linear motor module, stage, subsystem, which has formally stepped in the large market for mechanical and electrical integration.

As a professional manufacturer of linear motion mechanical and electronic components, **cpc** has obtained several invention patents for its products of Taiwan, Mainland China, Germany, the United States and Japan.

The linear guide products have complete sizes, from size 3(2W) to size 55, all in the range of mass production. Among them, the ball type products are included. Now **cpc** is carrying on the mass production of roller type products, ultra-long, ultra-short,

wide type products step by step. The products produced take the realization of best function in the same industry as the goal. In the aspect of load capacity, high-speed operation, low-noise design, self-lubrication design, retaining chain design and miniaturization design, **cpc** has also reached the above goals.

The linear motor **cpc** all series ironless and ironcore series linear motor thrust range is estimated of 10N-2,000N. In addition, the thrust range of products is also expanded to 5,000N (10,000N) recently to meet the demand of toolroom machine market. In order to step in the whole market of industrial components, **cpc** is actively setting about the development of direct drive motor, and takes the industrial torque grade demand range as the primary development specification and goal to respond to the increasingly diverse market demand application of client, thus to become one of the world's important manufacturers of the linear motor.

In order to make the products have ground-breaking technology threshold, the independently developed driver of **cpc** should be matched with to provide customers with a complete mechanical and electrical system, thus to meet the customers of different stages to expand the market scope. The research and development in the main technology level is as follows:

(1) Simple setting and easy operation:

When the current linear motor driver on the market needs to be matched with the labeled linear motor, the motor parameters (resistance, inductance, etc.) must be input manually to calculate the gain value of current loop, while the driver of CHIEFTEK PRECISION will use the technology of automatic system identification, and match with the actual detection response to gain the best control gain of each loop. Moreover, the correct position of Hall component and zero degree angle can be automatically detected without needing to input the electrical angle data to achieve the minimum parameter input as the design goal, thus to avoid human's negligence of the establishment of intelligent drive system.

(2) Adding the additional auxiliary function to improve the system stability, precision and application scope:

The driver of CHIEFTEK PRECISION allows the customers to add the band elimination and low pass filter aiming at the specific bandwidth on the mechanism. Therefore, when the user can't strengthen the rigidity of the mechanism itself, he may use the additional function of driver to suppress the system vibration. Generally speaking, the precision is divided into repeated accuracy and positional accuracy two types, which is directly related to processing and assembly accuracy of each component of the stage. For the most strict positional accuracy, it is the comprehensive result of machining accuracy of mechanism parts, straightness and flatness of guide, resolution ratio of optical scale, etc. The user may use the controller for error compensation to maintain the positional accuracy of the whole system for most of the time. However, the driver of CHIEFTEK PRECISION transplants the compensation function of the previous controllers to the driver, making the user can easily and directly carry on the error compensation of precision on the driver. Meanwhile, in addition to linear motion control, the driver application shall also be able to support the step motor and servo motor and other rotating system, such as the mechanic arm composed of multiaxial servo motor.

(3) Data capture and analysis function:

When the driver is in the process of operation, the system dynamic data of the system always needs to be monitored, such as following error, current, voltage and speed, etc. In addition to the general method of display of data on the interface after the capture waiting time, the driver of CHIEFTEK PRECISION also has the function of continuous recording, which can make the use have a real-time understanding of the whole system dynamic, and it contains the

standard deviation calculation, mean value calculation, Fourier transformation and other calculation and analysis function.

(4) Gain scheduling function:

Sometimes when the system inertia is large or the charge-to-mass ratio changes greatly, the gain of more than two sets of control loop may be set for switching. The start conditions of switching include speed, I/O level, position, etc., and a more humanized gain adjustment interface is provided.

(5) Motion compiled language:

Generally speaking, the motion command of linear motor system is controlled by PLC or the controller. In order to let users can also freely write the motion program on the driver to reach the required motion control, this driver will specially establish all kinds of functions to provide convenience to the users' use, and the users do not need to further learn additional programming language, shortening the time of system construction.

(6) High-speed network communication interface:

As Germany launches the industry 4.0, all kinds of information of the factory transforms from closed to open. In the past, the users must implement management in the factory, while in the future, they may develop into a centralized management mode beyond the factory. The communication interface on the market at present is shown in Figure III, among which the industrial network communication had occupied about 34% in 2015. The use of industrial network is not only faster than traditional communication port, meanwhile, the Netcom device may continue to be used, without the special concentrator equipment, reducing the purchase cost. EtherCAT is the trend of market. Therefore, the driver of CHIEFTEK PRECISION will also establish the communication mode of EtherCAT to respond to the international market demand.

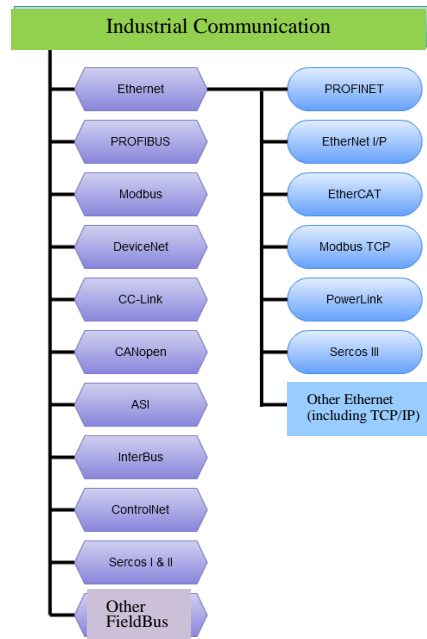


Figure III: Figure of industrial communication protocol types

(7) Anti cogging compensation function:

The linear motor is generally divided into ironless series and ironcore series. The rotor of ironless series is mainly composed of coil, epoxy resin and aluminum base; the stator part is composed through the combination of two rows of magnetic pole relative magnet. While the rotor of ironcore series is formed firstly through the coil winding in the silicon steel sheet, and then through the

epoxy resin packaging in the aluminum base. Because there is the silicon steel sheet to concentrate the magnetic line of force, compared with the ironless series, the stator of ironcore series needs only half of the magnet. Also because in the linear motor, the magnets are rare earth elements, the cost ratio is quite important. But as the ironcore series has the silicon steel sheet of permeability magnetic material, the dynamic phenomenon may easily occur in the moving, causing large speed ripple. In the application of scanning, the error may be easily caused. The driver of CHIEFTEK PRECISION will be available for automatic compensation of anti cogging of any ironcore series linear motor, which will greatly reduce the thrust ripple and increase the speed stability after compensation to make the customers realize the excellent dynamic characteristic of ironless series at the price of ironcore series.

2. Research and development expenditure invested each year in recent five years

Unit: NT\$ in thousand

Year	2011	2012	2013	2014	2015
Research and development expenditure(A)	31,564	34,150	26,158	30,775	36,985
Net sales revenue (B)	1,155,864	920,181	941,944	1,016,920	1,021,983
Proportion (A)/(B)	2.73%	3.71%	2.78%	3.03%	3.62%

3. Successfully developed technology or product from the recent five years to the print date of annual report

Year	Research result
2011	High thrust density ironless series linear motor Roller chain, roller chain manufacturing mode and linear motion mechanism Applied to reinforcing plate of block, block and linear guide
2012	Structure of moving parts of the linear guide Circulation channel device of the linear guide Structure of ironless series linear motor coil assembly Structure of winding, smooth retaining chain Anti-dust device of the linear guide
2013	Four raw ball wide rail type linear guide Hole caps structure of the linear guide Ironcore series linear motor Linear motor module
2014	Roller type linear guide CLS linear motor module Linear motor servo driver
2015	Roller type linear guide of each size CLMS dual-track type linear motor module MMLS magnet motive linear motor module 20A linear servo driver
2016	MMLS linear motor module

(IV) Long and short-term business development plan:

1. Short-term business development plan

(1) Sales strategy

A. Realize the global marketing with the proprietary brand of **cpc**, deep cultivation of existing customers, strengthen the customer service and establish a good interaction.

B. Improve the competitiveness of niche products.

- C. Continuously strengthen the operation function of each region to improve the overall revenue.
- (2) Production strategy
 - A. Construct a global management mechanism to integrate the resources of group.
 - B. Increase the production yield rate and operation ratio to increase the competitiveness of products.
 - C. Seek for the appropriate raw material suppliers who have reached suitable price and stable quality.
- (3) Research and development strategy
 - A. Completeness of product series: Linear guide, linear motor, linear motor servo driver.
 - B. Develop the new manufacturing technology to improve the automation degree.
 - C. Develop the mechanical and electrical integration system.
 - D. Customized service.
- (4) Operation strategy
 - A. Strengthen the personnel training to intensify the concept of profession and working.
 - B. Implement the quality policy constantly improved to increase the competitiveness of products.
 - C. Construct perfect financing channels, meanwhile, increase the company's popularity to attract excellent talents.
 - D. Implement each management system to strengthen the management performance.
- (5) Quality policy
 - A. Quality is the result of design, manufacture and management.
 - B. Receive, manufacture and distribute no non-performing product.
 - C. Quality improvement is an uninterrupted activity of the entire personnel.
- (6) Environment and occupational safety and health policy
 - A. Provide a working environment with high quality and available for maintaining physical and psychological health, and reach the goal of no disaster, no accident.
 - B. Protect the environment, maintain the natural ecology, and realize the energy conservation and waste reduction.
 - C. In accordance with the laws, implement the risk management, prevent the pollution, and carry out 6S activities.
 - D. The environmental protection safety is an uninterrupted activity of the entire personnel.
- 2. Long-term business development plan
 - (1) Research and development strategy
 - A. Development of new products: Development of linear module / stage, linear motor driver, torque motor, controller, sensing component, etc.
 - B. Closely cooperate with the upstream, midstream, downstream manufacturers to grow together.
 - C. Implement the software, hardware power and development, and be capable of playing the role of creator continuously on the international stage for a long term.
 - (2) Marketing strategy
 - A. Improve the value of proprietary brand, and increase the international competitiveness.
 - With the continuous enhancement of the company's product quality, then improve the customers' satisfaction and loyalty to products of **cpc**; meanwhile, strengthen the global layout of **cpc**.
 - B. Realize the global marketing with the proprietary brand **cpc**, and expand the

cpc proprietary brand and good brand image to make **cpc** become the leading brand of linear motion components in the world.

C. Construct the global **cpc** marketing channel to increase the market share.

(3) Operation strategy

A. Firmly strengthen the operational performance of subsidiaries.

B. Implement the constant improvement, constant cultivation of personnel quality, and establish the best management team.

C. Strengthen the cooperation of the related products and industry.

Implement the industrial division, vertical integration, and strengthen the integration

of upstream, downstream industry to establish a powerful product supply chain, and

give full play to the advantage of mass production scale economy.

D. Strengthen the patent layout.

II. Market and Sales Overview

(I) Market Analysis

1. Sales Region of Main Products

Unit: NT\$ in thousand; %

Sales Region \ Item		2014		2015	
		Net sales revenue	Percentage	Net sales revenue	Percentage
Export	America	119,239	11.72%	135,574	13.27%
	Europe	164,004	16.13%	241,569	23.64%
	Asia	497,681	48.94%	451,224	44.15%
	Others	1,006	0.10%	1,140	0.11%
	Subtotal	781,930	76.89%	829,507	81.17%
Local		234,990	23.11%	192,476	18.83%
Total		1,016,920	100.00%	1,021,983	100.00%

2. Market Share

cpc mainly engages in the research and development, manufacture and sale of precise linear motion components, which belongs to the mechanical drive industry of machinery industry. According to the industrial production statistical data of Ministry of Economic Affairs, the linear guide rail output value of Taiwan in 2015 was about NT\$ 15.68 billion, comparing with the linear guide rail output value in 2014 of about NT\$ 16.66 billion, which reduced 5.88%, while the consolidated revenue of the Company in 2015 was NT\$ 1.021 billion, so it could find the market share of the Company in 2015 was about 6.51%.

3. Supply and Demand Status as well as Growth of Future Market

(1) Since the linear guide rail is usually the standard substance, the manufacturer could cut depending on their demand, without special processing and order in advance; in addition, the market demand in Taiwan is small, so the international great manufacturers have the price competitive advantage. Therefore, the linear guide rail dealers in Taiwan usually choose to cut in the special niche market or export.

(2) According to the industrial production statistical data of Ministry of Economic Affairs, the mechanical drive components include the bearing, ball screw and linear guide rail. Influenced by the global prosperity recovery inferior to the expected and slow-down in Mainland China market, the annual output value in 2015 was NT\$ 51.25 billion, and it estimates the annual output value in 2016 would be NT\$ 51.66 billion, slightly growing for 0.8%.

The **cpc** product aims at improving the client machinery product performance, and increasing the client machinery equipment production efficiency. Under the

tendency of rapid automation, intelligentization and energy saving of the industry, the using demand of **cpc** series product shall grow vigorously.

4. Competition Niche

(1) Rich R&D experience and price competitiveness

- A. Based on the rich R&D experience, fast reaction to client and market demand, control the dominant key to success;
- B. Since the product specifications of standard linear guide rail have certain standardization, there are many competitive manufacturers, and the price competition is quite intense. Although the market demand grows mildly, the relevant manufacturers continue expanding the capacity, plus the Japanese yen devaluated, so there is competition the in price. The **cpc** focuses on the product quality and function, as well as added value, which is influenced less in the high and medium order market, but needs to control the cost in the lower order market, which certainly will become the key factor that whether the Company could be competitive in this market. The Company shall continue improving the new manufacture technology through R&D, and develop the economical product to reduce the cost, while reinforce the local client service quality through the years of sale experience, and subsidiaries in Mainland China, Europe and America as well as technical business representatives in other regions, to maintain the competitiveness of the Company .

(2) New product development ability

- A. The **cpc** linear electrical product technology development trends to the “precision”, “speed/efficiency”, “reliability / quality”, “durability/ service time”, “micromation / multifunction”, “flexibility / diversity” and “energy conservation / environmental protection”, which are the product development tendency of “big data integration”, “information processing / communication / transmission / confidentiality...”, “remote control”, “AI intelligentization”.
- B. In 2015, the linear motor module growth also reflected on the sales performance, while the biggest breakthrough was the **cpc** linear motor module matched with Israel linear servo driver had completely transferred to that matched with own product, and the performance has acquired the affirmation of clients. There also started to match the **cpc** self-developed linear magnetic ruler as the position feedback system, to provide more options for clients.

(3) Good service and correct market development strategy

To positively develop the client, provide the fast service and maintain good relation with the client, is one indispensable link of the company development. In the beginning stage of development, the Company has paid attention to the client service besides the product quality, and slowly won the trust of clients and continuous cooperation. The Company has established the subsidiaries in Mainland China, Europe and America, to provide the real-time service for the local client, and now seeks for the technical business representative in other important countries, to strengthen the local market service quality, cooperate with local dealers, and positively develop the direct client, to create more business opportunities.

5. Favorable and Unfavorable Factors and Countermeasures in the Long Term Development Vision

(1) Favorable Factors:

Since founded, **cpc** has invested in the precise linear motion component R&D, manufacture and marketing, which started from the manufacture of miniature linear guide rail, and then the linear guide rail became the main product. In order to expand the future business opportunity, **cpc** has launched the development of linear motor product since 2009, and dedicated to the development of control component “linear motor driver” with high added value, as well as the integrated development of linear

motor module with the linear guide rail, to satisfy the demand of automated equipment.

Along with the manpower cost increasing and market competition fierce, to reduce the production cost, promote the product manufacture speed and new product development speed becomes the target of the manufacture industry, thus the production equipment automation, numerical control (CNC/NC) and factory automation (FA) have become the goal of manufacture industry input and improvement. Aiming at the demand of production equipment and factory automation (FA), **cpc** could provide the electromechanical integrated system product and service.

The **cpc** product is widely applied to the CNC processing machine, testing platform, LCD processing equipment, optical measuring instrument, handling machine, mechanical arm / automatic machinery equipment, PCB drilling machine, automatic card machine (SMT), Die Bonder, Wire Bonder, laser imprinter, laser cutting machine, nano micromachining equipment. CHIEFTEK PRECISION has invested large amount of resources for innovative R&D, to deeply explore the technology field, accumulate the own patent, and market the **cpc** of own brand to global, which has established the good reputation in the precise machine market monopolied by Japan and Germany for a long time.

The product competitive advantage, core key technology and main product key technology are described respectively as below:

A. Product competitive advantages of **cpc** are as below:

- (A) Unique production and manufacture technology: **cpc**'s product quality is stable, because our patent design could reduce the manufacture cost in processing.
- (B) Product R&D capacity advantage: **cpc**'s product is developed and designed by R&D team, and acquires the patent, to make the product functional quality leading in the industry through the quality control of production personnel.
- (C) Complete independent R&D in machinery motor specialized technology: R&D team of **cpc** controls the key core technology, with excellent integrating capacity.
- (D) Positive input for patent layout: **cpc** has acquired several innovation patents, and shall input the patent layout continuously to protect the technology and intellectual property in the future.
- (E) Electromechanical integration system engineering.

B. Core key technologies of **cpc** are as below:

- (A) Bearing technology engineering.
- (B) Manufacture processing technology engineering.
- (C) Motor technology engineering.
- (D) Drive control technology engineering.

C. Key technologies of main products of **cpc** are described respectively as below:

(A) Miniature linear guide rail

a. Mass production capacity leading in the industry.

cpc had made the mass production of linear guide rail of size 3 in 2004, which was the pioneer in the industry.

b. Design leading in the industry

(a) Embedded patent design:

i. Greatly simplify the processing, to make the product with absolute competitive advantage in the manufacture cost.

ii. Make the product extremely micro, unable to cause processing difficulty.

(b) Embedded lubrication pad design: to make the product with

- permanent lubricating effect.
- (c) Exclusive reinforced pad patent design: to make the product running speed reaching 10 m/sec, higher than the general running speed of 3~5m/sec.
- (d) Operating smoothness could realize the optimal performance.
- (B) Standard linear guide rail
 - a. Design leading in the industry.
 - b. German heavy load capacity design: **cpc**'s product mainly adopts the German design, to make the product load capacity higher, and service life longer.
 - c. Reinforcing plate patent design: **cpc** has the unique reinforcing plate design, to make the running speed reaching 10 m/sec.
 - d. Embedded lubrication pad patent design: to make the product with permanent lubricating effect.
 - e. Waterproof, iron scrape preventive and sealed design: to make the product running smoothness realizes the optimal performance.
 - f. Product service life is longer than other competitor.
- (C) Ironless linear motor
 - a. Design leading in the industry
 - (a) High-efficiency design:

The **cpc** adopts the own researched and developed coil stacking patent technology, with the professional magnetic recording analysis software, to manufacture the maximum motor efficiency of maximum thrust generated under energy consumption per unit of same specification and dimension.
 - (b) Patented heat dissipation design:

With compact internal design matching the heat dissipation patent technology of special material, **cpc**'s linear motor is featured in the heat dissipation of low thermal resistance.
 - (c) High thrust density design:

The **cpc** linear motor featured in high efficiency and low thermal resistance, presents the high thrust in the same dimension compared to the competitor, to make the client saving the needed space for motor installation.
 - (d) Production technology guarantee:

Since the linear motor belongs to the key component of high-precision application industry, all the processes are researched, developed and manufactured by **cpc** own, thus it could indeed control the manufacture quality and quick customized response.
- (D) Ironcore linear motor
 - a. Design leading in the industry
 - (a) Low-pause-power design / low-adsorption design:

Although the ironcore linear motor has high thrust density compared to the ironless type, there also goes along with the pause power, while the pause power would increase the difficulty in the motor running stability and control; thus, **cpc** adopts the special structure design matching the practice and simulation to realize the ironcore linear motor with low pause power.

The adsorption force of ironcore linear motor with special design structure is below 1/2 of that of the industry under the same thrust.
 - (b) Structure design maximum motor constant:

Optimize the ironcore linear motor's structure group, and build the

Hall component sensor inside the forcer, to achieve the minimum dimension and high heat dissipation capacity to realize the maximum motor constant.

- (E) CHIEFTEK PRECISION follows the extension of linear guide rail product, to develop the water-cooled linear motor suitable for machine tool and PCB drilling machine, featured in controlling the motor temperature rising degree by the cooling liquid under the high-load operation, to avoid influencing the processing plane temperature for thermal expansion. While in the direct drive system, the common component DD motor in the rotational motion is also one of the development key products.

(2) Unfavorable Factors and Countermeasures

A. Difficulty in talent acquisition and cultivation

Facing with the transformation automation, whether Taiwan shall play the role of user or creator, it shall be considered deeply. The role of user would easily be replaced. In the industry 4.0, we need more R&D talents, to improve the added value. The industry 4.0 not only has powerful influence on the industry, but also makes significant change in various industries. The manpower demand trends to the simplification and high quality. Under this circumstance, the talent demand would greatly change the production.

Countermeasures:

cpc's main technology is developed by own, thus the internal training mechanism shall be independent, in the handling principle of divided management, clear rights and liabilities, distinct right and wrong, encouraging innovations, brave to admit the fault, and continuing improvements. In the future, it shall reinforce the industry-academy cooperation, cultivate more talents, to realize the application of knowledge, and promote the welfare system of the Company, to attract and stay the talent. Although there are many difficulties in the talent recruitment and talent cultivation, those who pass the test would become the greatest asset of the Company.

B. Accession of new competitive manufacturer

Along with the market demand grows, the competitors to share the market are more and more, which is also the rule of free competition.

Countermeasures:

All the products of **cpc** are the own developed key technology, and there accumulates rich experience from the product mass production; the policy responding to the new manufacturer is to make advance and innovation by the Company own. In the future, **cpc** shall continue investing more R&D manpower, and widen the gap with the competitor by high-order and innovative product in the product development.

(II) Important Uses and Production Procedures of Main Products:

1. Important Uses of Main Products

(1) Linear guide rail

Mainly apply to the automation industry, machine tool industry, TFT-LCD, photoelectrical manufacture detection and carrier, electronic industry machinery equipment, and semiconductor manufacture detection/packaging/handling equipments, medical instrument, printing and packaging machine, industrial machine and aerospace industry, and national defense industry, etc.

(2) Linear motor

The machinery equipments with output capacity demand are the main selling market of linear motor. Taking the ironless linear motor as example, it has no pause power and has light forcer, which is particularly suitable for the application in the semiconductor industry, panel industry, biochemical technology, laser cutting and automation industry. While the ironcore linear motor with high thrust and low stator

cost is suitable for the application in the automated storage, solar energy industry, laser industry, panel industry, and semiconductor carrier and automation industry.

(3) Driver and linear motor module

At present, the major linear motor goes with the driver in the drive method of one to one, thus the occasion to use the linear motor is also the market of driver and linear motor, which is just different in the using habit and form of the client.

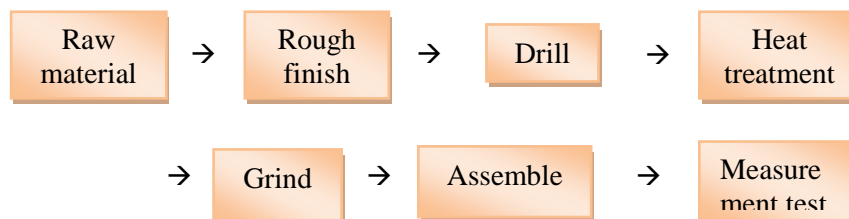
2. Production Procedures of Main Products

The main production flows of the product produced by **cpc** are as below:

(1) Guide rail



(2) Linear block



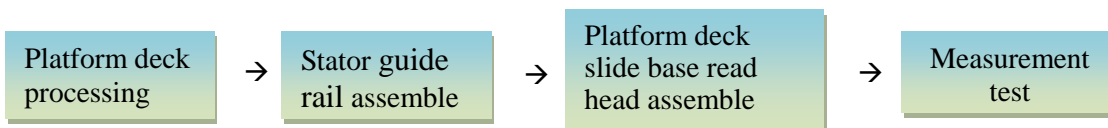
(3) Linear motor stator



(4) Linear motor forcer



(5) Linear motor module



(6) Linear motor driver



(III) Supply Status of Main Materials

cpc mainly engages in the manufacture of linear guide rail, whose major raw materials are the cold drawn, plastic fittings and steel balls, and the purchase source is the domestic and overseas manufacturer, which all have established the long-term and good cooperation relation with the Company. As of now, the supplying condition of major raw materials of the Company is good.

Major raw material	Supplier	Supply condition
Cold drawn	Company A, Company B, Company F, Company M	Normal
Plastic fittings	Company E, Company J	Normal
Steel ball	Company C, Company O	Normal

In addition, the major raw materials of linear motor are the rare earth magnet, enameled wire and epoxy resin, with suppliers all over the world, with long-term and good cooperation mode, to ensure the normal major raw material supply.

Major raw material	Supplier	Supply condition
Rare earth magnet	Company A, Company B, Company C, Company D	Normal
Enameled wire	Company E, Company F	Normal
Epoxy resin	Company G, Company H, Company I	Normal

Linear motor driver

Major raw material	Supplier	Supply condition
PCB board	Company A, Company B	Normal
Electronic component	Company C, Company D, Company E	Normal
Shell	Company F, Company G, Company H	Normal
Cooling fin	Company H, Company I	Normal

(IV) Major Suppliers and Clients

1. Major suppliers in the last two calendar years and purchase amount and percent as well as change reason explanation

Unit: NT\$ in thousand; %

Item	2014				2015				As of first quarter of 2016			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	Company A	42,466	21.82	No	Company A	64,042	29.42	No	Company A	8,194	22.97	No
2	Company B	26,849	13.80	No	Company B	25,180	11.57	No	Company D	5,958	16.70	No
3	Company C	21,113	10.85	No	-	-	-	No	Company C	4,175	11.71	No
4	-	-	-	No	-	-	-	No	Company B	4,075	11.42	No
	Others	104,180	53.53	No	Others	128,434	59.01	No	Others	13,269	37.20	No
	Net Total Supplies	194,608	100.00		Net Total Supplies	217,656	100.00		Net Total Supplies	35,671	100.00	

Note 1: Major suppliers with gross purchase over 10% in the last two calendar years and purchase amount and percent are list above, but the contract has stipulated not to disclose the supplier name or transaction object as individual or non-related party, so it is listed in code name.

Note 2: Increase or decrease reason: in 2015, it increased 11.84% compared to 2014, mainly because the effect of reducing the integrated inventory was remarkable after three years of efforts, and the inventory level reached the reasonable level, thus the purchase amount in 2015 increased gradually.

2. Major clients in the last two calendar years and sale amount and percent as well as change reason explanation

Unit: NT\$ in thousand; %

Item	2014				2015				As of first quarter of 2016			
	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer	Company Name	Amount	Percent (%)	Relation with Issuer
1	Company A	72,444	7.12	No	Company C	73,348	7.18	No	Company E	13,668	6.29	No
2	Company C	70,371	6.92	No	Company A	72,950	7.14	No	Company A	9,957	4.58	No
3	Company B	66,348	6.52	No	Company D	72,433	7.09	No	Company D	9,451	4.35	No
	Others	807,757	79.44	No	Others	803,252	78.59	No	Others	184,331	84.78	No
	Net Sales	1,016,920	100.00		Net Sales	1,021,983	100.00		Net Sales	217,407	100.00	

Note 1: Major clients with gross sales over 10% in the last two calendar years and sale amount and percent are list above, but the contract has stipulated not to disclose the client name or transaction object as individual or non-related party, so it is listed in code name.

Note 2: Increase or decrease reason: the main client of **cpc** in recent two years and as of the first quarter of 2016 changes along with the sales market and client demand, but without obvious change.

(V) Production in the Last Two Years

Unit: 1,000 pieces/ Unit: NT\$ in thousand

Major Products \ Year	2014			2015		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Linear guide rail and slide base	609	518	725,476	620	527	881,901
Linear motor	4	3	4,925	31	26	36,447
Others	0	0	0	0	0	0
Total	613	521	730,401	651	553	918,348

Note: Production change and analysis: The effect of the Company reducing the integrated inventory was remarkable, so there increased the production input in 2015, which caused the increase in production of 2015.

(VI) Sales in the Last Two Years

Unit: 1,000 pieces / Unit: NT\$ in thousand

Sales \ Major Products \ Year	2014				2015			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Linear guide rail and slide base	173	231,021	1,341	778,240	140	186,668	1,375	798,074
Linear motor	2	3,303	8	4,356	4	5,807	58	31,433
Others	0	0	0	0	0	0	0	0
Total	175	234,324	1,349	782,596	144	192,475	1,433	829,507

Note: Sales change and analysis:

The Company positively developed and domestic and oversea new market and new client, which cause the increase in both local and export performance.

III. Number of Employees of Recent Two Years as of Printing Date

May 16, 2016

Year		2014	2015	As of May 16, 2016
Number of Employees	Administrative staff	75	68	71
	R&D personnel	25	31	31
	Business personnel	34	34	31
	Field staff	241	237	223
	Total	375	370	356
Average Age		34.83	36.15	35.78
Average Years of Service		2.49	3.13	3.54
Education	Ph.D.	0.08%	0.08%	0.00%
	Masters	20.69%	7.54%	6.86%
	Bachelor's Degree	42.40%	51.85%	52.16%
	Senior High School	29.68%	24.53%	26.41%
	Below Senior High School	7.15%	16.00%	14.57%

IV. Environmental Protection Expenditure

For the loss or penalty caused by environmental pollution during the latest year and up to the printing date of this annual report, and the future countermeasures as well as possible expenditures:

- (I) According to the regulation provisions, those applying for the pollution facility setting license or pollution discharge license or payable pollution prevention expense or needing to set the environmental protection specific personnel, the explanation of application, payment or setting condition is as below: **cpc** is the linear guide rail manufacturer, located in Southern Taiwan Science Park, and has applied and acquired the pollution facility setting license or pollution discharge license according to the environmental protection laws.

(II) Main equipment and its usage as well as possible benefit invested by the Company for the environmental pollution prevention:

Unit: NT\$ in thousand; May 16, 2016

Equipment Name	Qty	Acquisition Date	Invested Cost	Balance	Usage and Estimated Benefit
Water pollution prevention project	1	June 21,2004	1,387	878	Sewage treatment necessity
Newly add the activated carbon equipment, modify the sand leach tower, and replace the biological filter material project	1	December 29,2015	500	475	Sewage treatment necessity

(III) During the environmental pollution progress of the Company in the latest year and up to the printing date of this annual report, there is any pollution dispute, and it shall describe the disposal process: the Company has no pollution dispute during the latest year and up to the printing date of this annual report.

(IV) During the latest year and up to the printing date of this annual report, the loss (including compensations) and punishment sum caused by the environmental pollution of the Company, and disclosed future countermeasures (including improvement measures) and possible expenses (including the estimated amount of possible loss, punishment and compensation if not taking the countermeasures; if unable to estimate reasonably, it shall state the fact unable to estimate reasonably): None.

(V) Present pollution status and influence of improvement to the company surplus, competition status and capital expenditure, and estimated significant environmental protection capital expenditure in future two years: None.

V. Labor Relations

(I) Employee welfare measure, advanced study, training, retirement system and implementation condition, and agreement on labor and capital as well as various staff rights and interests maintenance measure condition of the Company:

1. Employee welfare measures and implementation condition:

- (1) Weekly two day-off and paternity leave.
- (2) Competitive salary.
- (3) In-service training.
- (4) Wedding and funeral cash gifts.
- (5) Flexible reward system.
- (6) Spring Festival cash gifts.
- (7) Pension allocation.
- (8) Labor health insurance and occupation insurance.
- (9) Lunch and supper subsidy.
- (10) Employee stock bonus.
- (11) Periodical employee health examination, disease medical treatment and consulting service.
- (12) Female colleague breastfeeding room.
- (13) Year-end thanksgiving party, travelling and gathering.

2. Employee advanced study, training system and implementation condition:

The Company dedicates in creating the study environment for talent sustainability and excellent competitiveness improvement, specially formulates the “educational training management procedure” and “educational training operational procedure”, to cultivate the proper excellent talent via the internal and external training resource.

At present, the Company provides a series of common knowledge, professional skill and management educational trainings, to cultivate the section head and senior colleagues as the internal lecturer to inherit the company culture and skill, and also irregularly invite the external specialists to give instructions. In 2015, the Company held training course

over 1,672 classes, total training hours nearly 2,242 hours, and total participated persons of 17,786 person-times.

The training courses in 2015 include:

- (1) New employee educational training: include the company regulations, labor, safety and health related introduction as well as the arrival guidance; every new employee has the educational trainer, to assist adapting the work environment, and familiar with the work content as soon as possible.
 - (2) Common knowledge training: refer to the common knowledge training activity required by government decree and company policy and the whole company overall or all sectors of groups, such as: education of prohibition and prevention of insider trading, staff HSE educational training, safety and sanitation training course, quality training course, factory emergency response training course, fire-control and labor safety training course, and personal performance management series course.
 - (3) Professional training: refer to the technology and professional training of each unit, such as R&D course, processing course, finance and accounting course, information technology course.
 - (4) Supervisor training: refer to the planning supervisor management training and development course. The content includes the management and leadership control course as well as other matched courses.
 - (5) Direct personnel training: refer to the training course providing the necessary knowledge, skill and attitude of production line technical personnel, such as the direct personnel machine skill training course.
 - (6) Periodically make the technical evaluation and performance evaluation, positively train the reserve cadres and talents.
3. Employee retirement system and implementation condition: the Company's retirement system mainly bases on the relevant laws and regulations of labor standard act.
- (1) Allocate the retirement reserve fund monthly to the labor retirement reserve fund supervision committee special account according to the provisions, and have overall implemented the "Labor Pension Act" since July 1, 2005, in which the applicable provisions are as below:
 - A. Employee arriving the post after July 1, 2005 (included) shall be entirely applicable for the "Labor Pension Act".
 - B. Employee arriving the post before July 1, 2005 (excluded) shall select the pension provision of "Labor Pension Act" or "Labor Standard Law" depending on personal actual demand within five years since July 1, 2005; if the colleague selects to continuously apply the pension provision of "Labor Standard Law", the Company shall allocate the pension to the employee pension special account monthly.
 - (2) If the colleague has any one of the conditions below, it shall apply for retirement voluntarily:
 - A. Taking office over 15 years (included) and over 55-year-old.
 - B. Taking office over 25 years (included).
 - C. Taking office over 10 years (included) and over 60-year-old.
 - (3) If the colleague has any one of the conditions below, it shall be forced to handle the retirement:
 - A. Over 65-year-old
 - B. Lunacy or physically disabled for the work
 - (4) Pension allocation shall be handled according to the provision of Article 55:

For the seniority of old system, the seniority of first 15 years shall be given 2 cardinal numbers for every one full year, and the seniority over 15 years shall be given 1 cardinal numbers for every one full year; except for the forced retirement caused by occupational injury and disease, the highest numbers shall be limited to 45 cardinal numbers.

- (5) The new system pension shall monthly allocate 6% to labor pension special account.
4. Agreement on labor and capital as well as various staff rights and interests maintenance measure condition:

The Company adopts the open and two-way communication method for the policy advocacy and employee opinion, uses E-MAIL and bulletin board to timely deliver the relevant information, complaint box, conference communication, supervisor communication, and welfare committee, to maintain the labor and capital relation harmoniously, and keep away the labor and capital disagreement.

- (II) During the latest year and up to the printing date of this annual report, for the losses caused by labor dispute, and disclosure of current and future possible estimated amount and response measures:
1. As of now, there is no significant labor dispute, and there is no labor and capital disagreement, nor the loss caused by labor dispute.
 2. Current and future possible response measures:
 - (1) Fully abide by the labor law.
 - (2) Continuously maintain the open and honest labor-capital communication channel and complaint channel.
 3. Current and future possible losses: the labor-capital relation of the Company is normal and harmonious, which shall not cause significant loss.

VI. Important Contracts

Contract Nature	Counterparty	Contracted Period	Major Contents	Restrictions
Medium and long-term borrowings	Six banks including Mega International Commercial Bank	December 09,2014 ~ December 09,2019	Joint credit granting contract	Note 1
Medium and long-term borrowings	Bank of Taiwan	July04,2011~ July04,2018	Credit granting contract	No
Short-term, medium and long-term borrowings	Bank of Taiwan	June 23,2011~ February 10,2017	Credit granting contract	No
Medium and long-term borrowings	Chang Hwa Bank	February 17,2012~ February 17,2018	Credit granting contract	Note 2
Land lease	Southern Taiwan Science Park Administration	January 01,2003 ~ December 31,2022	Land lease contract	No
Land lease	Southern Taiwan Science Park Administration	August 28,2014 ~ August 27,2034	Land lease contract	No

Note 1: The Company shall follow the provision of joint credit granting contract, and make commitment of following items to the joint loan bank consortium during the joint credit granting period:

During the joint credit granting period, according to the accountant checked annual report or accountant audited consolidated financial statement of second quarter, the Company shall maintain the following financial ratio, and be inspected once every half year:

- (1) Liquidity ratio (current asset/current liability): over 100% (included).
- (2) Debt ratio (total liability/net value): below 150% (included).
- (3) Tangible net worth (amount of stockholders' equity deducting intangible asset): over NT\$ 1,000,000 thousand (included).

Note 2: The credit granting contract with Chang Hwa Bank has been extended from February 17, 2017 to February 17, 2018.

VI. Financial Information

I. Five-Year Financial Summary of Condensed Balance Sheet Consolidated Condensed Statement of Comprehensive Income

(I) Condensed Balance Sheet and Consolidated Statement of Comprehensive Income

1. Condensed Balance Sheet

(1) Consolidated Condensed Balance Sheet

Unit: NT\$ in thousand

Item	Year	Financial Summary for The Last Five Years (Note 2)					Financial Summary as of March 31, 2016 (Note 2)
		2011	2012	2013	2014	2015	
Current assets			1,357,275	1,364,977	1,305,890	1,195,278	1,232,396
Real Estate, Plant and Equipment			941,168	874,975	770,097	661,307	633,698
Intangible assets			48,943	49,010	51,284	53,104	53,308
Other assets			378,635	362,442	364,798	366,567	363,123
Total assets			2,726,021	2,651,404	2,492,069	2,276,256	2,282,525
Current liabilities	Before distribution		736,737	657,156	638,344	446,440	454,918
	After distribution		752,726	668,398	666,461	Note 3	Note 3
Non-current liabilities			669,254	616,794	565,386	510,285	490,437
Total liabilities	Before distribution	Note 1	1,405,991	1,273,950	1,203,730	956,725	945,355
	After distribution		1,421,980	1,285,192	1,231,847	Note 3	Note 3
Equity attributable to shareholders of the parent company			1,320,030	1,377,454	1,288,339	1,319,531	1,336,987
Capital stock			536,551	565,535	592,338	592,338	592,338
Capital surplus			452,836	456,573	463,051	463,051	463,051
Retaining earnings	Before distribution		333,595	350,050	331,149	370,662	390,510
	After distribution		290,957	310,704	303,032	Note 3	Note 3
Other equity interest			(2,952)	5,296	15,168	12,024	9,632
Treasury stock			-	-	(113,367)	(118,544)	(118,544)
Non-controlling interest			-	-	-	-	183
Total equity	Before distribution		1,320,030	1,377,454	1,288,339	1,319,531	1,337,170
	After distribution		1,304,041	1,366,212	1,260,222	Note 3	Note 3

Note 1: In 2011, the financial data had not applied IFRS, thus there is no data.

Note 2: The financial data of 2012, 2013, 2014 and 2015 had been audited by the accountant, and the financial data as of March 31, 2016 has been reviewed by the accountant.

Note 3: The distribution plan of earnings of 2015 is subject to the resolution of shareholder meeting.

(2) Condensed balance sheet – individual

Unit: NT\$ in thousand

Item	Year	Financial Summary for The Last Five Years (Note 2)				
		2011	2012	2013	2014	2015
Current assets			1,405,415	1,194,380	1,051,103	963,499
Property, Plant and Equipment			930,489	854,292	752,075	641,818
Intangible assets			48,803	48,917	51,184	53,016
Other assets			528,890	516,737	613,399	603,088
Total assets			2,913,597	2,614,326	2,467,761	2,261,421
Current liabilities	Before distribution		878,189	606,273	580,422	420,124
	After distribution		894,178	617,515	608,539	Note 3
Non-current liabilities			715,378	630,599	599,000	521,766
Total liabilities	Before distribution	Note 1	1,593,567	1,236,872	1,179,422	941,890
	After distribution		1,609,556	1,248,114	1,207,539	Note 3
Equity attributable to shareholders of the parent company			1,320,030	1,377,454	1,288,339	1,319,531
Capital stock			536,551	565,535	592,338	592,338
Capital surplus			452,836	456,573	463,051	463,051
Retaining earnings	Before distribution		333,595	350,050	331,149	370,662
	After distribution		290,957	310,704	303,032	Note 3
Other equity interest			(2,952)	5,296	15,168	12,024
Treasury stock			-	-	(113,367)	(118,544)
Non-controlling interest			-	-	-	-
Total equity	Before distribution		1,320,030	1,377,454	1,288,339	1,319,531
	After distribution		1,304,041	1,366,212	1,260,222	Note 3

Note 1: In 2011, the financial data had not applied IFRS, thus there is no data.

Note 2: The financial data of 2012, 2013, 2014 and 2015 had been audited by the accountant.

Note 3: The distribution plan of earnings of 2015 is subject to the resolution of shareholder meeting.

2. Consolidated Condensed Statement of Comprehensive Income
 (1) Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ in thousand

Item	Year	Financial Summary for The Last Five Years (Note 2)					Financial Summary as of March 31, 2016 (Note 2)
	2011	2012	2013	2014	2015		
Operating revenue		920,181	941,944	1,016,920	1,021,983	217,407	
Gross profit		301,398	244,499	240,920	306,404	73,910	
Income from operations		115,864	47,287	39,152	96,156	20,740	
Non-operating income and expense		(19,912)	32,967	(7,334)	(14,741)	2,961	
Income before tax		95,952	80,254	31,818	81,415	23,701	
Net income of this term from continuous operation		68,424	58,688	20,743	70,782	19,848	
Loss from discontinued operations		-	-	-	-	-	
Net income (Loss)		68,424	58,688	20,743	70,782	19,848	
Other comprehensive income (income after tax)	Note 1	(3,130)	8,653	9,574	(6,296)	(2,391)	
Total comprehensive income		65,294	67,341	30,317	64,486	17,457	
Net income attributable to shareholders of the parent company		68,424	58,688	20,743	70,782	19,848	
Net income attributable to non-controlling interest		-	-	-	-	1	
Comprehensive income attributable to Shareholders of the parent company		65,294	67,341	30,317	64,486	17,456	
Comprehensive income attributable to non-controlling interest		-	-	-	-	1	
Earnings per share		1.29	1.00	0.35	1.26	0.35	

Note 1: In 2011, the financial data had not applied IFRS, thus there is no data.

Note 2: The financial data of 2012, 2013, 2014 and 2015 had been audited by the accountant, and the financial data as of March 31, 2016 has been reviewed by the accountant.

(2) Consolidated Condensed Statement of Income – individual

Unit: NT\$ in thousand

Item	Year	Financial Summary for The Last Five Years (Note 2)				
		2011	2012	2013	2014	2015
Operating revenue			1,172,024	601,674	811,557	826,513
Gross profit			294,000	153,264	155,461	213,766
Income from operations			182,698	47,292	37,374	89,536
Non-operating income and expense			(87,924)	26,972	(11,449)	(12,615)
Income before tax			94,774	74,264	25,925	76,921
Net income of this term from continuous operation			68,424	58,688	20,743	70,782
Loss from discontinued operations			-	-	-	-
Net income (Loss)			68,424	58,688	20,743	70,782
Other comprehensive income (income after tax)	Note 1		(3,130)	8,653	9,574	(6,296)
Total comprehensive income			65,294	67,341	30,317	64,486
Net income attributable to shareholders of the parent company			68,424	58,688	20,743	70,782
Net income attributable to non-controlling interest			-	-	-	-
Comprehensive income attributable to shareholders of the parent company			65,294	67,341	30,317	64,486
Comprehensive income attributable to non-controlling interest			-	-	-	-
Earnings per share			1.29	1.00	0.35	1.26

Note 1: In 2011, the financial data had not applied IFRS, thus there is no data.

Note 2: The financial data of 2012, 2013, 2014 and 2015 had been audited by the accountant.

(II) Condensed Balance Sheet and Consolidated Statement of Comprehensive Income – based on SFAS

1. Condensed Balance Sheet – based on SFAS

Unit: NT\$ in thousand

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2011	2012	2013	2014	2015
Current assets		1,017,791	1,437,388			
Funds and investments		96,810	151,433			
Fixed assets(Note 2)		820,638	953,425			
Intangible assets		49,592	48,803			
Other assets		12,658	320,572			
Total assets		1,997,489	2,911,621			
Current liabilities	Before distribution	509,405	873,672	Not applicable	Not applicable	Not applicable
	After distribution	553,413	889,661			
Long-term liabilities		367,448	666,194			
Other liabilities		10,441	46,124			
Total liabilities	Before distribution	887,294	1,585,990			
	After distribution	931,302	1,601,979			
Capital stock		433,875	530,417			
Capital surplus		304,817	452,836			
Retaining earnings	Before distribution	353,794	336,377			
	After distribution	309,786	293,739			
Unrealized gains or losses of financial instruments		-	-			
Cumulative translation adjustment		2,819	(133)			
Net loss of unlisted pension cost		-	-			
Total equity	Before distribution	1,110,195	1,325,631			
	After distribution	1,066,187	1,309,642			

Note 1: The financial data of above-listed years had been audited by the accountant.

Note 2: If it has handled the asset revaluation in this year, it shall list the handling date and increment in the revaluation: not applicable.

Note 3: If the financial data were informed by the authority for correction or re-preparation, it shall adopt the figures after correction or re-preparation, and note the condition and reason: not applicable.

2. Consolidated Condensed Statement of Comprehensive Income – based on SFAS

Unit: NT\$ in thousand

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2011	2012	2013	2014	2015
Operating revenue		1,266,274	1,172,024	Not applicable	Not applicable	Not applicable
Gross profit		483,431	351,779			
Income from operations		270,904	185,319			
Non-operating income and profit		56,272	17,554			
Non-Operating expenses and loss		9,010	105,478			
Income before tax of continuous operation		318,166	97,395			
Gains or losses from continuous operation		277,297	70,599			
Gains or losses from discontinued operations		-	-			
Extraordinary gains or losses		-	-			
Cumulative impact from accounting principle change		-	-			
Current profits or losses		277,297	70,599			
Earnings per share		6.13	1.46			

Note 1: The financial data of above-listed years had been audited by the accountant.

Note 2: The capitalization amount of interest in each year is as below: 2011: NT\$2,987 thousand, 2012: NT\$ 777 thousand.

Note 3: The earnings per share shall be calculated according to the number of weighted average common shares issued publicly after adjusting the surplus turning to capital increase based on the capital increase proportion of each year.

Note 4: The financial data were required to be corrected or re-prepared by the authority: none.

(III) Auditors' Opinions from 2011 to2015:

1. Auditors' Opinions from 2011 to2015:

Year	Accounting Firm	CPA	Audit Opinion
2011	PwC TW	Accountant LIU TZU-MENG, LI MING-HSIEN	Clean opinion
2012	PwC TW	Accountant LIU TZU-MENG, LI MING-HSIEN	Clean opinion
2013	PwC TW	Accountant LIU TZU-MENG, LI MING-HSIEN	Clean opinion
2014	PwC TW	Accountant LIN TZU-YU, LIU TZU-MENG	Clean opinion
2015	PwC TW	Accountant LIN TZU-YU, LIU TZU-MENG	Clean opinion

2. Explanation to the reason of accountant change in recent five years:

- (1) The financial statement of the Company was originally appointed PwC TW Accountant LIN TZU-YU and LIU TZU-MENG for check and audit; in order to cooperate with the internal adjustment of PwC TW, it has changed to appoint PwC TW Accountant LIU TZU-MENG and LI MING-HSIEN for check and audit since 2011.
- (2) The financial statement of the Company was originally appointed PwC TW Accountant LIU TZU-MENG and LI MING-HSIEN for check and audit t; in order to cooperate with the internal adjustment of PwC TW, it has changed to appoint PwC TW Accountant LIN TZU-YU and LIU TZU-MENG for check and audit since 2014.

II. Five-Year Financial Analysis

(I) Financial Analysis – Based on IFRS

(1) Consolidated Financial Analysis

Item	Year	Financial Analysis for the Last Five Years (Note 2)					As of March 31, 2016 (Note 3, Note 4)
		2011	2012	2013	2014	2015	
Financial structure (%)	Debt Ratio		51.58	48.05	48.30	42.03	41.42
	Ratio of long-term capital to real estate, plant and equipment		211.36	227.92	240.71	276.70	288.40
Solvency %	Current ratio		184.23	207.71	204.57	267.74	270.91
	Quick ratio		82.67	106.92	127.53	182.40	189.77
	Interest earned ratio (times)		5.90	4.92	2.64	5.45	7.79
Operating performance	Accounts receivable turnover (times)		3.25	2.98	2.95	2.82	2.36
	Average collection days		112	122	124	129	155
	Inventory turnover (times)		1.04	0.98	1.28	1.47	1.32
	Accounts payable turnover (times)		6.13	13.64	16.40	10.69	8.00
	Average days in sales	Note 1	351	372	285	248	277
	Real estate, plant and equipment turnover (times)		1.09	1.04	1.24	1.43	1.36
	Total assets turnover (times)		0.40	0.35	0.40	0.43	0.40
Profitability	Return on total assets (%)		3.63	2.81	1.43	3.60	4.00
	Return on stockholders' equity (%)		5.64	4.35	1.56	5.43	5.96
	Pre-tax income to paid-in capital (%)		18.09	14.34	5.37	14.48	4.21
	Net profit ratio (%)		7.44	6.23	2.04	6.93	9.13
	Earnings per share (NT\$ in dollars)		1.29	1.00	0.35	1.26	0.35
Cash flow	Cash flow ratio (%)		(27.69)	28.60	53.05	67.90	48.84
	Cash flow adequacy ratio (%)		4.25	13.71	34.00	42.86	72.46
	Cash reinvestment ratio (%)		(12.47)	8.62	13.26	10.70	2.14
Leverage	Operating leverage		2.00	4.30	5.15	2.54	2.72
	Financial leverage		1.19	1.76	1.98	1.23	1.20

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. The increase of current ratio and quick ratio is mainly to reduce the integrated inventory, so the inventory sales ratio is accelerated and with remarkable effect. In addition, the profit of 2015 was high, and repaid the short-term borrowings, which made the current liability reducing compared to previous year.
2. The turnover rate of accounts payable reduced 5.71 times, because the Company operated well, increased the purchase amount and concluded good payment term with the manufacturer; besides, the inventory sales performance was good, production investment increased, and unit cost decreased, which made the cost reduction.
3. Times interest earned, return on assets, return on equity, pre-tax net income to paid-in capital ratio, net profit ratio, earnings per share, cash flow ratio, cash flow adequacy ratio increased, because the sales volume of miniature series in 2015 increased, which made the operating revenue of 2015 increased, Operating costs decreased, and linear motor product sales volume increased comparing to the previous year, and thereupon the profit increased.
4. Operating leverage and financial leverage reduced, because the sales volume of miniature series in 2015 increased, which made the operating revenue of 2015 increased, Operating costs decreased, thereupon the profit increased, and interest expense reduced.

Note 1: In 2011, the financial data had not applied IFRS, thus there is no data.

Note 2: The financial data of 2012, 2013, 2014 and 2015 had been audited by the accountant.

Note 3: The financial data as of March 31, 2016 has been audited by the accountant.

Note 4: Relevant operation capacity and profitability related financial ratio is calculated by the annual numbers.

Note 5: Calculation formulas are as below:

1. Financial structure
 - (1) Ratio of liability to asset = total liability / total asset.
 - (2) Ratio of long-term capital to real estate, plant and equipment = (total equity + non-current liability) / real estate, plant and equipment net amount.
2. Solvency
 - (1) Current ratio = current asset / current liability.
 - (2) Quick ratio = (current asset – inventory – prepaid expense) / current liability.
 - (3) Interest earned ratio = net profit before income tax and interest expense / current interest expense.
3. Operating performance
 - (1) Accounts payable (including accounts receivable and notes receivable caused by business) turnover ratio = net sales / average accounts receivable ((including accounts receivable and notes receivable caused by business) balance).
 - (2) Average collection days = 365 / accounts payable turnover ratio.
 - (3) Inventory turnover ratio = sales cost / average inventory.
 - (4) Accounts payable (including accounts payable and notes payable caused by business) turnover ratio = sales cost / average accounts payable (including accounts payable and notes payable caused by business) balance.
 - (5) Average days in sale = 365 / inventory turnover ratio.
 - (6) Property, plant and equipment turnover ratio = net sales / average real estate, plant and equipment net amount.
 - (7) Total assets turnover ratio = net sales / average total assets.
4. Profitability
 - (1) Return on assets = (after-tax profit and loss + interest expense × (1 – tax rate)) / average total assets.
 - (2) Return on equity = after-tax profit and loss / average total equity.
 - (3) Net profit ratio = after-tax profit and loss / net sales.
 - (4) Earnings per share = (equity attributable to shareholders of parent company – preference dividend) / weighted average issued share number. (Note 4)
5. Cash flow
 - (1) Cash flow ratio = net cash flow of operating activity / current liability.
 - (2) Net cash flow adequacy ratio = net cash flow of operating activity in recent five years / recent five years (capital expenditure + inventory increase + cash dividend).
 - (3) Cash reinvestment ratio = (net cash flow of operating activity – cash dividend) / (real estate, plant and equipment gross + long-term investment + other non-current asset + working capital).
6. Leverage:
 - (1) Operating leverage = (net operating revenue – changed Operating costs and expense) / operating profit.
 - (2) Financial leverage = operating profit / (operating profit – interest expense).

Note 6: Calculation formula of above earnings per share shall pay attention to following items when measuring:

1. Subject to weighted average common share number, not based on issued share numbers in the end of the year.
2. If there is increment of cash or treasury stock transaction, it shall consider the circulation period, and calculate the weighted average share number.
3. If there is surplus transferred to increment or capital reserve transferred to investment, when calculating the earnings per share of the previous year and half year, it shall trace and adjust according to increment proportion, without any consideration of issuing period of the increment.
4. If the special stock is the nonconvertible accumulative special stock, its dividend of that year (no matter issued or not) shall be deducted from the profit (loss) for the year, or increase the after-tax net loss. If the special stock is non-cumulative type, when there is after-tax dispute, the special stock dividend shall be deducted from the profit (loss) for the year; if it is loss, it shall not be adjusted.

Note 7: Cash flow analysis shall pay special attention to the following items when measuring:

1. Net cash flow of operating activity refers to net cash inflow of operating activity in cash flow statement.
2. Capital expenditure refers to the cash outflow of annual capital investment.
3. Inventory increment shall only be accounted when the ending balance is greater than beginning balance, and if the inventory decreases in the end of the year, it shall be calculated as zero.
4. Cash dividends include the cash dividend of common stock and special stock.
5. Real estate, plant and equipment gross refer to the sum of real estate, plant and equipment before deducting the accumulated depreciation.

Note 8: Issuer shall divide the Operating costs and Operating expenses in to the fixed and changeable one; if involving the estimation or subjective judgment, it shall pay attention to the rationality and maintain the consistency.

Note 9: If the company share has no denomination or the denomination per share is not NTD\$ 10, the above ratio calculation related to paid-in capital shall be changed to calculate the ratio of equity attributable to shareholders of parent company of balance sheet.

(2) Financial Analysis – individual

Item		Year	Financial Analysis for the Last Five Years					As of March 31, 2016 (Note 3, Note 4)
			2011	2012	2013	2014	2015	
Financial structure (%)	Debt Ratio		54.69	47.31	47.79	41.65	Not applicable	
	Ratio of long-term capital to real estate, plant and equipment		218.75	235.05	250.95	286.89		
Solvency %	Current ratio		160.04	197.00	181.09	229.34		
	Quick ratio		130.01	143.64	139.43	178.05		
	Interest earned ratio (times)		5.94	4.68	2.40	5.36		
Operating performance	Accounts receivable turnover (times)		2.17	1.33	2.65	2.63		
	Average collection days		168	274	138	139		
	Inventory turnover (times)		3.29	1.81	2.39	2.70		
	Accounts payable turnover (times)		8.49	10.76	14.34	9.07		
	Average days in sales	Note 1	111	202	153	135		
	Real estate, plant and equipment turnover (times)		1.40	0.67	1.01	1.19		
	Total assets turnover (times)		0.48	0.22	0.32	0.35		
Profitability	Return on total assets (%)		3.40	2.73	1.42	3.60		
	Return on stockholders' equity (%)		5.64	4.35	1.56	5.43		
	Pre-tax income to paid-in capital (%)		17.87	13.27	4.38	13.68		
	Net profit ratio (%)		5.84	9.75	2.56	8.56		
	Earnings per share (NT\$ in dollars)		1.29	1.00	0.35	1.26		
Cash flow	Cash flow ratio (%)		3.15	53.78	39.01	62.71		
	Cash flow adequacy ratio (%)		31.70	52.28	75.47	81.13		
	Cash reinvestment ratio (%)		(0.80)	15.44	8.64	9.17		
Leverage	Operating leverage		1.90	2.49	4.35	2.53		
	Financial leverage		1.11	1.74	1.99	1.24		
<p>Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)</p> <ol style="list-style-type: none"> 1. The increase of current ratio and quick ratio is mainly to reduce the integrated inventory, so the inventory sales ratio is accelerated and with remarkable effect. In addition, the profit of 2015 was high, and repaid the short-term borrowings, which made the current liability reducing compared to previous year. 2. The turnover rate of accounts payable reduced 5.27 times, because the Company operated well, increased the purchase amount and concluded good payment term with the manufacturer; besides, the inventory sales performance was good, production investment increased, and unit cost decreased, which made the cost reduction. 3. Times interest earned, return on assets, return on equity, pre-tax net income to paid-in capital ratio, net profit ratio, earnings per share, cash flow ratio increased, because the sales volume of miniature series in 2015 increased, which made the operating revenue of 2015 increased, Operating costs decreased, and linear motor product sales volume increased comparing to the previous year, and thereupon the profit increased. 4. Operating leverage and financial leverage reduced, because the sales volume of miniature series in 2015 increased, which made the operating revenue of 2015 increased, Operating costs decreased, thereupon the profit increased, and interest expense reduced. 								

(2) Financial Analysis - Based on ROC GAAP
(1) Financial Analysis - Based on ROC GAAP

Item		Year	Financial Analysis for the Last Five Years				
		2011	2012	2013	2014	2015	
Financial structure (%)	Debt Ratio	44.42					
	Ratio of long-term capital to property, plant and equipment	180.06					
Solvency (%)	Current ratio	199.80					
	Quick ratio	143.36					
	Interest earned ratio (times)	2,749.68					
Operating performance	Accounts receivable turnover (times)	3.61					
	Average collection period	101					
	Inventory turnover (times)	4.16					
	Accounts payable turnover (times)	8.23					
	Average days in sales	88					
	Property, plant and equipment turnover (times)	1.98					
	Total assets turnover (times)	0.81	Not applicable	Not applicable	Not applicable	Not applicable	
Profitability	Return on total assets (%)	18.11					
	Return on stockholders' equity (%)	32.01					
	Pre-tax income to paid-in capital (%)	Operating profit Profit before tax	62.44 73.33				
	Profit ratio (%)	21.90					
	Earnings per share (NT\$ in dollars)	6.74					
Cash flow	Cash flow ratio (%)	31.59					
	Cash flow adequacy ratio (%)	39.59					
	Cash reinvestment ratio (%)	8.44					
Leverage	Operating leverage	1.80					
	Financial leverage	1.03					
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) None.							

Note 1: Relevant financial documents are audited and certified by accountants.

Note 2: The formula is as follows:

1. Financial structure

(1) The proportion of liabilities covered by assets = total liabilities/total assets.

(2) The proportion of long-term funds covered by fixed assets = (Shareholder's net equity + long-term liability)/net value of fixed assets.

2. Debt-paying ability

(1) Current ratio = current assets/current liability.

(2) Quick ratio = (current assets - inventory - prepaid expenses)/current liability.

(3) Time interest earned ratio = income tax and net profit before interest expense/current interest expense.

3. Business capacity

(1) Receivables (including receivables and the notes receivable produced by the business) turnover = net sales/each average receivables (including receivables and the notes receivable produced by the business) balance.

(2) Average collection days = 365/receivables turnover.

(3) Inventory turnover = Cost of goods sold/average inventory.

(4) Receivables (including receivables and the notes receivable produced by the business) turnover = net sales/each average receivables (including receivables and the notes receivable produced by the business) balance.

- (5) Average sales days = 365/inventory turnover.
- (6) Fixed asset turnover = net sales/average net value of fixed assets.
- (7) Total assets turnover = net sales/average total assets.

4. Profitability

- (1) Return on assets = (post-tax profit or loss + interest expense × (1 – tax rate) / average total assets.
- (2) Shareholder's return on equity = post-tax profit or loss / average shareholder's net equity.
- (3) Net profit ratio = post-tax profit or loss / net sales.
- (4) Earnings per share = (net profit after tax - preference dividend) / weighted average issued shares.

5. Cash flow

- (1) Cash flow ratio = operating activities net cash flow/current liability.
net cash flow adequacy ratio = Net cash flow from operating activities for the Past Five Years /for the Past Five
- (2) Years (capital expenditure + inventory increases + cash dividends).
- (3) Cash re-investment ratio = (operating activities net cash flow - cash dividends)/(fixed asset's gross amount + long-term investment + other assets + working capital).

6. Lever degree:

- (1) Degree of operating leverage = (net revenue - business change costs and expenses) / sales revenue.
- (2) Degree of financial leverage = sales revenue / (sales revenue – interest expenses).

Note 3: For the calculation formula of the above earnings per share, the following matters shall be paid attention

to:

1. Be subject to the weighted average of common stock shares rather than by then end of the year.
2. The one goes through a cash capital increase or treasury stock trading shall consider calculating the weighted average outstanding shares during the circulation period.
3. The one goes through surplus capital increase or turn add equity capital accumulation fund shall carry out retroactive adjustment based on capital increase ratio when calculating the earnings per share of previous years and semiannual.
4. If the preferred stock is the non-convertible cumulative stock, the current annual dividend (whether issued or not) shall be deducted from post-tax profit or added to post-tax loss. If the preferred stock is not cumulative, it shall be deducted from the post-tax profit; and it needs no adjustment if it losses.

Note 4: Pay attention to the following matters when measuring cash flow analysis:

1. Operating activities net cash flow refers to the net cash inflows of operating activities in the Cash Flow Table.
2. Capital expenditure refers to capital investment cash outflows each year.
3. Inventory increases is only included when ending balance is larger than beginning balance. If the inventory at the end of year is decreased, then it will be calculated as zero.
4. Cash dividends include common stock and preferred stock's cash dividends.
5. Fix asset's gross amount refers to the total fixed assets before deducting accumulated depression.

Note 5: The issuer shall divide Operating costs and Operating expenses as fixed or changed depending on the nature. If estimates or subjective judgements are involved, it shall pay attention to its rationality and maintain consistency.

(2) Consolidated Financial Analysis

Item		Year	Financial Analysis for the Last Five Years				
			2011	2012	2013	2014	2015
Financial structure (%)	Debt Ratio		41.57				
	Ratio of long-term capital to property, plant and equipment		179.95				
Solvency (%)	Current ratio		243.03				
	Quick ratio		117.11				
	Interest earned ratio (times)		28.48				
Operating performance	Accounts receivable turnover (times)		5.00				
	Average collection period		73				
	Inventory turnover (times)		2.15				
	Accounts payable turnover (times)		6.78				
	Average days in sales		170				
	Property, plant and equipment turnover (times)		1.79	Not applicable	Not applicable	Not applicable	Not applicable
	Total assets turnover (times)		0.76				
Profitability	Return on total assets (%)		18.75				
	Return on stockholders' equity (%)		32.01				
	Pre-tax income to paid-in capital (%)	Operating profit		73.64			
		Profit before tax		76.04			
	Profit ratio (%)		23.99				
Earnings per share (NT\$ in dollars)		6.74					
Cash flow	Cash flow ratio (%)		18.30				
	Cash flow adequacy ratio (%)		24.25				
	Cash reinvestment ratio (%)		3.93				
Leverage	Operating leverage		1.23				
	Financial leverage		1.03				
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%):None							

III. Auditing report for recent annual financial statement prepared by Supervisor

CHIEFTEK PRECISION CO., LTD.

Supervisor's Auditing Report

Hereby to approve,

The undersigned PwC TW LIN TZU-YU and LIU TZU-MENG have duly audited the Operating Report, Financial Statements and Schedule of Earnings Distribution prepared by the supervisor for the year of 2015, and issued recorded unqualified opinion auditing report. All statistical forms shall be compiled in accordance with the law after being reviewing by the Supervisor. Any discrepancies shall be reported to the superior in accordance with Article 219 of the *Company Law*.

With respect,

CHIEFTEK PRECISION CO., LTD. 2016 SHAREHOLDERS MEETING

CHIEFTEK PRECISION CO., LTD.

Supervisor: KUANG HSI-HUI

Supervisor: LI MEI

Supervisor: TSENG HSU-WEN

March 17, 2016

IV. Recent consolidated financial statements and report of independent accountants: Please refer to page 102-153 Chinese annual report.

V. Recent parent company only financial statements and report of independent accountants: Please refer to page 154-205 Chinese annual report.

VI. If any financial difficulties happen to the Company and its affiliate enterprises by the deadline of annual report printing, then its impact on the Company's financial condition is: None.

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

I . Analysis of Financial Status

Comparative analysis table of financial condition

Unit: NT\$ in thousand

Accounting subject \ Year	2015	2014	Increase (decrease)	
	Amount	Amount	Amount	%
Current assets	1,195,278	1,305,890	(110,612)	-8.47%
Property, plant and equipment	661,307	770,097	(108,790)	-14.13%
Intangible assets	53,104	51,284	1,820	3.55%
Other assets	366,567	364,798	1,769	0.48%
Total assets	2,276,256	2,492,069	(215,813)	-8.66%
Current liabilities	446,440	638,344	(191,904)	-30.06%
Non-current liabilities	510,285	565,386	(55,101)	-9.75%
Total liabilities	956,725	1,203,730	(247,005)	-20.52%
Equity attributable to owners of the parent	1,319,531	1,288,339	31,192	2.42%
Capital stock	592,338	592,338	-	-
Capital reserves	463,051	463,051	-	-
Retained earnings	370,662	331,149	39,513	11.93%
Other equity interest	12,024	15,168	(3,144)	-20.73%
Treasury stock	(118,544)	(113,367)	(5,177)	-4.57%
Non-controlling interests	-	-	-	-
Total equity	1,319,531	1,288,339	31,192	2.42%

Analysis of changes in financial ratios (more than 20% are changed and the changed amount is up to above NT\$10 million):

1. Decrease of current liabilities and total liabilities: whose main reasons are:
 - (1) 2015 annual profit is not bad and the repaid short-term loan is up to NT\$224,432 thousand, causing the decrease of current liabilities.
 - (2) The repaid long-term loan is up to NT\$80,854 thousand, causing the decrease of long-term liabilities and total liabilities.

II. Analysis of Financial Performance

(A) Comparative analysis table of financial performance:

Unit: NT\$ in thousand

Accounting subject \ Year	2015	2014	Increase (decrease)	
	Amount	Amount	Amount	%
Sales revenue	1,021,983	1,016,920	5,063	0.50%
Operating margin	306,404	240,920	65,484	27.18%
Operation profit and loss	96,156	39,152	57,004	145.60%
Non-operating income and expenses	(14,741)	(7,334)	(7,407)	-101.00%
Net profit before tax	81,415	31,818	49,597	155.88%
Net profit of the term to continue business unit	70,782	20,743	50,039	241.23%
Loss of stop operating	-	-	-	-
Net profit (loss) of the term	70,782	20,743	50,039	241.23%
Other comprehensive (loss) Income (net profit after tax)	(6,296)	9,574	(15,870)	-165.76%
Total comprehensive income (loss)	64,486	30,317	34,169	112.71%
Parent company owner's net profit	70,782	20,743	50,039	241.23%
Non-controlling interest's net profit	-	-	-	-
Parent company owner's consolidated profit	64,486	30,317	34,169	112.71%
Non-controlling interest's consolidated profit	-	-	-	-
Earnings per share (NT\$ in dollars)	1.26	0.35	0.91	260.00%

Analysis of changes in financial ratios (more than 20% are changed and the changed amount is up to above NT\$10 million):

- Operating margin has increased NT\$65,484 thousand, whose main reasons are:
 - The revenue of linear motor has significant increased NT\$29,583 thousand and the growth rate is up to 386.28%, causing the increase of margin.
 - Proportion change of product category: revenue proportion of high-margin miniature linear guide has increased, causing the increase of margin.
 - The Company strictly implements austerity policy and strictly controls costs. Among manufacturing overhead, miscellaneous expenditure has the most significant decrease. Depreciation and other fixed cost are also decreased.
- In summary, operation profit and loss, net profit before tax, net profit of the term to continue business unit, net profit of the term, total comprehensive income(loss), parent company owner's net profit, parent company owner's consolidated profit and earnings per share have increased.
- Due to the impact of Euro exchange rate depreciation on non-operating income and expenses, convertible interest in 2015 has significant decreased compared to 2014.

(B) Expected sales volume and its basis:

Please refer to "Letter to Shareholders".

(C) Possible impact on the Company's future financial business and contingency plan:

With the continuous growth of business, the Company's operation scale is also expanding. The Company seeks a long-term stable capital source to deal with capital expenditures in terms of finance and thereby improve financial ratios and make financial structure more complete.

III. Cash flow

(A) Cash Flow Analysis for the Current Year

Unit: NT\$ in thousand

Accounting subject	Year		Increase (decrease)	
	2015 Amount	2014 Amount	Amount	%
operating activities inflows (outflows)	303,142	343,028	(39,886)	-11.63%
Investment activities inflows (outflows)	(20,951)	(49,661)	28,710	-57.81%
Financial activities inflows (outflows)	(292,781)	(220,932)	(71,849)	32.52%
Net cash inflows (outflows)	(14,717)	81,986	(96,703)	-117.95%
<p>1. Net cash inflow decrease of operating activities: whose main reasons are:</p> <p>(1) Depreciation fee has decreased NT\$13,909 thousand compared to last stage.</p> <p>(2) After years of the implementation of destocking measure, the inventory on hand has significantly decreased. It has decreased up to NT\$91,786 thousand in 2015, which is less than that of NT\$149,469 thousand in previous year, but still with remarkable efficiency.</p> <p>2. Net cash inflow decrease of investment activities: due to no other major capital expenditures in 2015 except minor purchase.</p> <p>3. Net cash outflow increase of financial activities: mainly due to good profit in 2015, which cause:</p> <p>(1) The repaid short-term loan in 2015 is up to NT\$224,432 thousand. Compared to the repaid short-term loan of NT\$21,070 thousand in previous year, the repaid short-term loan in 2015 has increased NT\$203,362 thousand.</p> <p>(2) The repaid long-term loan in 2015 is NT\$80,854 thousand. Compared to the repaid long-term loan of NT\$ 80,409 thousand in the previous year, the repaid long-term loan in 2015 has decreased NT\$45,354 thousand.</p> <p>(3) Cash dividend amount in 2015 has increased NT\$16,875 thousand compared to the previous year.</p> <p>(4) The purchased treasury stock amount in 2015 has decreased NT\$108,190 thousand.</p>				

(B) Remedy for Cash Deficit and Cash Flow Analysis for the coming year:

Unit: NT\$ in thousand

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
9,849	(70,000)	(350,000)	29,849	-	-
<p>Analysis of cash flow change for the coming year:</p> <p>1. Operating activities: it is estimated that turnover, stock purchase and receivables will grow, causing net cash outflow in operating activities.</p> <p>2. Investment activities: it is estimated that there are new investment plans and plants in the coming year, causing net cash outflow in investment activities.</p> <p>3. Financial activities: amortization of partial long-term loan and repayment of short-term loan cause net cash outflow in financial activities.</p>					

(C) Improvement plan for illiquidity: since the Company's business is in profitable growth and turnover, stock purchase and receivables, required working capital are estimated to increase, it shall carry out the financing or increase financing amount according to plans.

VI. Impact of Major Capital Expenditure Items on Financial Business

(A) Entrust development contract

In order to develop new products, the director's meeting has approved to sign an entrusted development plan with CSM Maschinen GmbH. It is estimated that it will open a new door for science after the development, which will have a great help to revenue.

(B) Impact on financial business

The Company's debt ratio on December 31, 2015 is 42.03%, significantly decreased 6.27% compared to 48.30% on December 31, 2014, which shows the company's conservative and stable operation.

In order to expand operation scale and improve turnover, the director's meeting has approved to sign an entrusted development plan with CSM Maschinen GmbH to deal with the Company's future development. It has no major impact on the Company's financial business.

V. Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

(A) The Company's reinvestment policy shall focus on business-related field with an expectation to improve its overall operating performance. Relevant executive departments shall implement in accordance with internal control system "Investment Cycle" and "Acquisition or Disposition of Assets Handler"; stipulate "Subsidiary Management Approach" for internal control system to facilitate motoring each subsidiary to stipulate relevant operating procedure on major financial and business matters and establish subsidiary operating risk management system in accordance with laws to maximize the performance.

(B) Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

Unit: NT\$ in thousand

Description Item	2015 profit or loss amount	Main reason of profit or loss	Improvement plans	investment plans for the coming year
CHIEFTEK PRECISION HOLDING CO., LTD.	1,726	Chieftek Precision (Hong Kong) Co., Limited. and CHIEFTEK PRECISION USA CO., LTD. investment gains and losses	-	Depending on the operating conditions
cpc Europa GmbH	(10,877)	Depreciation of listed inventory and inactive losses and operation does not reach economic scale.	Developing new business actively	Depending on the operating conditions
Chieftek Precision (Hong Kong) Co., Limited.	1,810	Chieftek Machinery (Kunshan) Co., Ltd. investment profit	-	Depending on the operating conditions
CHIEFTEK PRECISION USA CO., LTD.	(60)	Depreciation of listed inventory and inactive losses and the increase of income tax expense.	Developing new business actively	Depending on the operating conditions
Chieftek Machinery (Kunshan) Co., Ltd.	1,811	Growth of turnover and accelerated destocking.	-	Depending on the operating conditions

VI. Analysis of Risk Management

(A) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

1. Interest rate:

The Company's 2015 and 2014 annual interest payment is NT\$17,997 thousand and NT\$19,369 thousand respectively, accounting for 1.76% and 1.90% of turnover respectively, so the change of interest rate will have no major impact on the Company. The Company has signed long-term and short-term financing contract (including

five-year join-loan contract) with multiple banks. 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 Company's 2015 and 2014 net loss on currency exchange is NT\$3,427 thousand and net cash benefit is NT\$4,990 thousand accounting for (0.34%) and 0.49% of net sales respectively. Because the proportion of exchange gain or loss accounting for turnover is not high, the whole exchange rate has not been a major risk burden on profitability. While the Company's income of export sales is Dollar, Euro and Yen-based and the purchased currency is Euro and Yen-based, so part of assets and liabilities have natural hedging effect. 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 in 2015 and 2014. Only the Company still continues to pay close attention to the economic environment and the volatility of the market environment can avoid the adverse impact of inflation and deflation.

(B) 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:

1. Policy, profit or loss reasons

- (1) 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".
- (2) The situation of the Company's loan to others in 2015, guaranty endorsement and the handling of derivatives transaction is as follows:
 - A. The handling situation of the loan to others is as follows:

Unit: NT\$ in thousand

Objects of the loan		Financing limit to individual fund	Maximum balance of current period	Ending balance	Maximum limit of financing
Company name	Relation with company				
cpc Europa GmbH	The Company adopts equity method to evaluate its invested company	527,812	122,333	52,026	527,812
cpc Europa GmbH	The Company adopts equity method to evaluate its invested company	50,930	41,393	0	263,906
Chieftek Machinery (Kunshan) Co., Ltd	Subsidiary adopts equity method to evaluate invested company	96,062	47,475	0	527,812

B. The handling of guaranty endorsement is as follows:

Unit: NT\$ in thousand

Objects of the loan		Guaranty endorsement quota to single enterprise	The highest guaranty endorsement balance of the term	Guaranty endorsement balance at end of the term	Net worth ratio of accumulated guaranty endorsement amount accounting for the latest financial statement	Maximum limit of guaranty endorsement
Company name	Relationship with the Company					
cpc Europa GmbH	The Company adopts equity method to evaluate invested company	659,766	108,062	46,644	4%	659,766
CHIEFTEK PRECISION HOLDING CO., LTD.	The Company adopts equity method to evaluate invested company	659,766	47,475	0	0	659,766

C. Handling of derivatives transaction: None.

2. Future's Response Measures

For the loan to others, guaranty endorsement and derivatives transaction, in addition to carefully assessment and regularly report and monthly control, the handling shall be in accordance with "Guaranty Endorsement Operating Procedures", "Loans to Others Operating Procedures", "Derivatives Transaction Processing Program" and "Acquisition or Disposition of Assets Handler" approved by the Company's director meeting and shareholder's meeting.

(C) Future Research & Development Projects and Corresponding Budget:

In addition to actively promote the advantageous product miniature linear guide to improve market share, **cpc** is now developing towards DD motor, micro motor, driver and controller and so on. With the rapid development of Germany advanced mechanical technology, professional technical ability and applied industry 4.0, **cpc** is expected to increase the investment budget to more than NT\$70,000 thousand.

The Company has invested NT\$36,985 thousand of R&D in 2015, increasing NT\$6,210 thousand compared to NT\$30,775 thousand in 2014. The increase rate is 20.18%.

(D) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

Although being impacted by the raise of US interest rate, deflation in Euro, the challenge of high unemployment rate, slowing economic growth in China mainland and other international uncertain factors in 2015, as well as domestic economic challenges, which include: join regional economic integration, push commodity's export energy, encourage domestic investment will, deepen the adjustment of industrial structure, enhance the growth of wages in real terms and improve the environment for innovation and entrepreneurship.

Although due to the characteristics of the industry, the Company is less affected by the regulatory environment, but the Company will continue to apply for a patent to protect the intellectual property to deal with the increasingly competitive international environment.

(E) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

In response to the change in product demand, government and private sectors led by technological innovation have invested a lot of money to integrate the technology research so that the innovation area of linear transmission products can extend from intermediate equipment to humanoid robot and terminal consumer products. In addition to rely on internal team, R&D of large enterprises emphasizes more on the creation of external resources and market demand, therefore, the setup of R&D center and the selection of R&D strategy partner is more globalized. The Company will apply for a patent to protect each innovative concept and design and actively expand application field in the future market to cope with the change of technologies.

Bring forth the new through the old in terms of technology is a positive help for the Company's product to expand the application fields. Therefore, the Company will continue to develop R&D ability to realize the Company's sustainable operation concept by combining technology and industry's long-term development trend.

In terms of overall business environment, due to the downsizing of US quantitative easing scale and more change in exchange rate, the Company will continue to collect and analyze international situations. The Company will pay attention to the important changes in domestic and foreign policies and laws to reduce possible adverse effects in the future.

(F) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

1. 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.

2. The Company has good corporate image. There is no significant change in circumstances and cause crisis to the Company.
- (G) 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 to guarantee the Company's interests and original shareholders' equities.
- (H) 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 to achieve the operational goal of sustainable management. Major capital expenditures shall report to director's meeting and be carefully executed. In terms of funds, in addition to convert the surplus to capital to enhance financial structure, the Company even works with banks to obtain adequate funding, but the Company shall have been fully considered the investment returns and possible risks.
- (I) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:
1. Purchase
Based on industry's characteristics, quality rate, delivery and market supply and demand, the Company purchases most miniature linear guides and slide cold drawing steel from Company A (Taiwan is the main production base for the Company, so the main stock manufacture of the combined company shall be same with the parent company's). This manufacture is a world leading manufacture in cold drawing piece production, whose product quality is good. The Company has established cooperative relationship with it since the beginning and the long-term relationship is good. In order to maintain the elasticity with the supplier, the Company has not signed a long-term supply contract with Company A. And in order to avoid a shortage of materials and uncontrollable cost risk caused by a single supplier, in addition to maintain a good cooperative relationship with Company A, the Company is also actively seeking a new supplier to reduce the stock concentration. The purchase proportion from Company A has been reduced year by year since 2009 and the situation of stock concentration has been improved. The risk is limited.
 2. Sales
Main products of the Company are miniature linear guide, standard linear guide and linear motor. The biggest trade debtor in 2015 is the subsidiary CHIEFTEK PRECISION (Kunshan) with 100% stake, which is accounting for 28.35% of annual net sales. Main business scope of CHIEFTEK PRECISION (Kunshan) is to sell the products produced by the Company and provide after-sales service for mainland customers, so it is not a single customer. As for the combine company, there has no customer that accounting for 10% of annual net sales. The Company will continue to develop new products and customers in the future and it is expected that there will have no circumstances that will affect normal operation due to concentrated sales.
- (J) 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.
- (K) Effects of, Risks Relating to and Response to the Changes in Management Rights:
The Company's directors and supervisors actively participate in the Company's operation and the management class has stronger sense of mission to the Company, regarding company's operation as a tenure career. 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.
- (L) Litigation or Non-litigation Matters:

1. Until the printing date of Company's recent annual report, major ongoing lawsuits, non-lawsuits or administrative lawsuits, the matters that may have significant impact on shareholder's equity or security price are: None.
2. Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by the Company's director, supervisor, general manager, the actual head, major shareholder who holds more than 10% of the shares and subsidiary company by the deadline of annual report printing, with the matters that may have major effect on shareholder's equity or security price: None.

(M) Other significant risks and Response Measures: None.

VII. Other important matters: None.

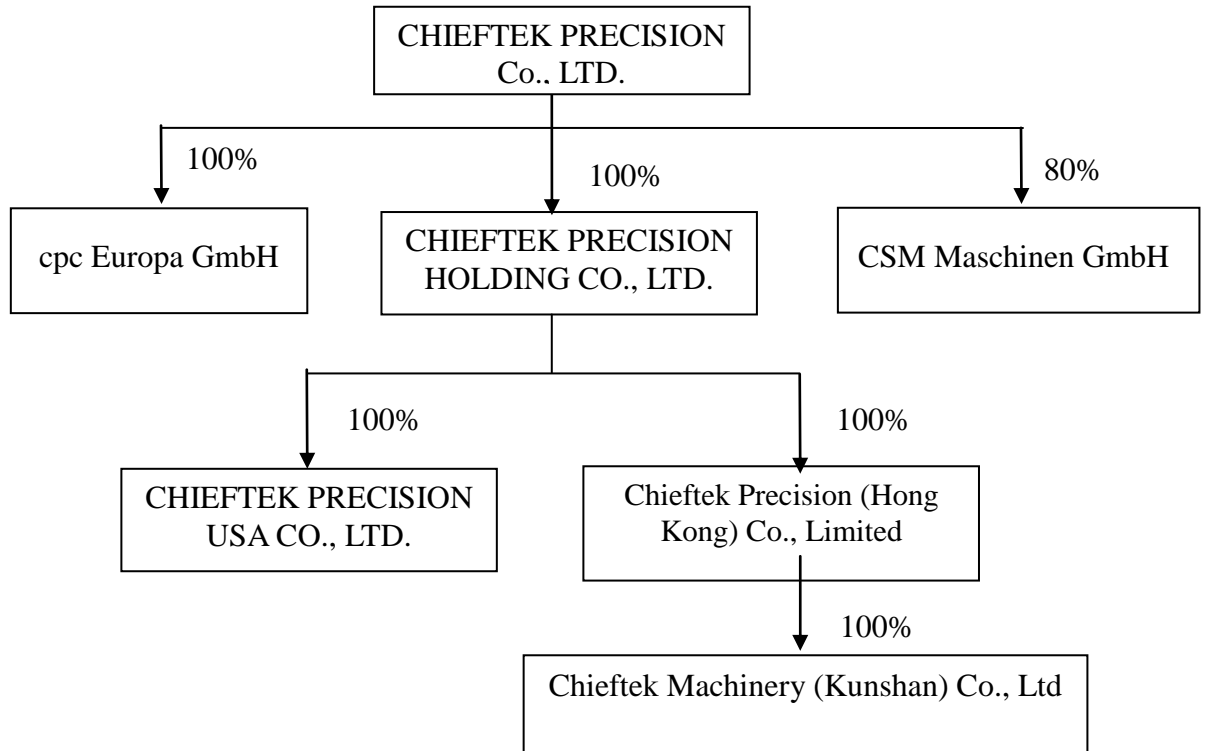
VIII. Special notes

I . Affiliate enterprises' relevant information

(A) Affiliate enterprises consolidated financial statements: please refer to consolidated financial statements.

(B) Affiliate enterprises consolidated operating report

1. Affiliate enterprises organizational table



2. Relationship between affiliate enterprises, shareholding ratio, share and actual investment amount

March 31,2016; Unit: Share in thousand /NT\$ in thousand

Affiliate enterprises name	The relationship with the Company	The company's share hold by the affiliate enterprises		Affiliate enterprises' share hold by the Company		
		Shares	Shareholding ratio (%)	Shares	Shareholding ratio (%)	Actual investment amount
CHIEFTEK PRECISION HOLDING CO., LTD.	The Company adopts equity method to evaluate invested company	-	-	6,760	100%	US 6,760
cpc Europa GmbH	The Company adopts equity method to evaluate invested company	-	-	Note 1	100%	EU 2,500
CSM Maschinen GmbH	The Company adopts equity method to evaluate invested company	-	-	Note 1	80%	EU 20
CHIEFTEK PRECISION (HONG KONG) CO.,LTD	Affiliate enterprises (cpc holdings) adopt equity method to evaluate invested company	-	-	5,100	100%	US 5,100
CHIEFTEK PRECISION USA CO.,LTD	Affiliate enterprises (cpc holdings) adopt equity method to evaluate invested company	-	-	1,660	100%	US 1,660
Chieftek Machinery (Kunshan) Co., Ltd	Affiliate enterprises (CHIEFTEK PRECISION HONGKONG) adopt equity method to evaluate invested company	-	-	Note 2	100%	US 5,100

Note 1: The Germany Company directly invested by the Company is a limited liability company. No share.

Note 2: The mainland company directly invested by the Company is a limited liability company. No share.

3. Basic documents of affiliate enterprises

March 31,2016 Unit: US\$ in thousand /EU\$ in thousand

Enterprise name	Establishment date	Address	Paid-in capital	Main business or production project
CHIEFTEK PRECISION HOLDING CO., LTD.	December 20,2007	Level2.Lotemau Centre, Vaea Street, Apia, Samoa	US\$6,760	Investment holding
cpc Europa GmbH	January 19,2010	Industrial park 314,78244 Gottmadingen Germany	EU\$2,500	Marketing positions in Europe and after-sales services
CSM Maschinen GmbH	March 07,2016	Justus-von-Liebig Str.12,86899 Landsberg,Germany	EU\$25	R&D, manufacturing and marketing and after-sales service
CHIEFTEKPRECISION (HONG KONG) CO.,LTD	September 26,2008	Huamao Century Square 31 floor, Gloucester Road 178, Hong Kong	US\$5,100	Investment holding
CHIEFTEK PRECISION USA CO.,LTD	January 01,2008	4881 Murietta St., Chino, CA 91710, USA	US\$1,660	Marketing positions in US and Canada, and after-sales services
Chieftek Machinery (Kunshan) Co., Ltd	December 26,2008	Hongqiao Road 1186, Yushan Town, Kunshan City	US\$5,100	Marketing positions in mainland, assembling and after-sales service

4. Same shareholder data of the one that presumed to have control and subordinate relationship:
No.
5. The industries covered by the he business operated by the overall affiliate enterprises are related to
the business operated by each affiliate enterprise, which shall illustrate the division situation:
The business operated by the Company's affiliate enterprises are the same with the Company's,
which are based on "linear motion key components", supporting each other in technology,
capacity
and regional service and providing a complete and quick service for the customers.
6. Documents of each affiliate enterprise's director, supervisor and general manager

Unit: Share in thousand

Enterprise name	Title	Name or Representative	Holding of shares	
			Shares	Shareholding ratio
CHIEFTEK PRECISION HOLDING CO., LTD.	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	6,760	100%
cpc Europa GmbH	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	non equity	100%
CSM Maschinen GmbH	Director	CHIEFTEK PRECISION CO., LTD. Representative: CHEN LI-FEN	non equity	80%
CHIEFTEKPRECISION (HONG KONG) CO.,LTD	Director	CHIEFTEK PRECISION HOLDING CO., LTD. Representative: CHEN LI-FEN	5,100	100%
CHIEFTEK PRECISION USA CO.,LTD	Director	CHIEFTEK PRECISION HOLDING CO., LTD. Representative: CHEN LI-FEN	1,660	100%
Chieftek Machinery (Kunshan) Co., Ltd	Director Supervisor	CHIEFTEKPRECISION (HONG KONG) CO.,LTD Representative: CHEN LI-FEN Representative: LI PAI-TSANG	non equity	100%
	Manager	General manager: CHEN MIN-CHANG		

7. Operation situation of each affiliate enterprise

Unit: NT\$ in thousand

Enterprise name	Capital sum	Total assets	Total liabilities	Net value	Revenue	Sales revenue	Current profit and loss (after tax)	Earnings per share (Yuan) (after tax)
CHIEFTEK PRECISION HOLDING CO., LTD.	USD6,760	284,874	59	284,815	-	(34)	1,726	0.08
cpc Europa GmbH	EUR2,500	141,872	146,838	(4,966)	145,473	(10,266)	(10,877)	non equity
CHIEFTEK PRECISION (HONG KONG) CO.,LTD	USD5,100	228,884	121	228,763	-	(1)	1,810	0.11
CHIEFTEK PRECISION USA CO.,LTD	USD1,660	88,123	32,021	56,102	133,122	3,007	(60)	(0.01)
Chieftek Machinery (Kunshan) Co., Ltd	RMB32,134	274,149	45,270	228,879	274,133	4,939	1,811	non equity

II. By the printing deadline of the latest annual report, the handling situation of private securities is: None.

III. By the printing deadline of the latest annual report, the Company's stock held or disposed by subsidiary is: None.

IV. Other necessary supplementary instruction:

Commitment issues that the Company applying counter transaction to Securities and Futures Trading Center of ROC and its implementation:

No	Commitment issues	Implementation
1	The Company has committed that Securities and Futures Trading Center of ROC (refer as: Taipei Exchange) shall participate in the evaluation of company's management system in two years after OTC listing. The evaluation result shall be reported in the shareholder's meeting; and the stipulation of relevant internal control and internal system shall refer to "Listed and OTC Company Governance Code of Practice".	The commitment has been eliminated in accordance with Taipei Exchange No. 1030200482 on 2014 June, 23.
2	The Company has committed to not to give up increasing capital to cpc Europa GmbH, CHIEFTEK PRECISIONHOLDING CO., LTD. (hereafter referred as CHIEFTEK PRECISION HOLDING) in the future when revising "Acquisition or Disposition of Assets Handler"; CHIEFTEK PRECISION Hong Kong shall not give up increasing capital to the Company or disposing the Company's equity unless obtaining the approval of CHIEFTEK PRECISION CO., LTD. Director's meeting in the future. If the handling method is to be revised in the future, CHIEFTEK PRECISION Hong Kong shall input it in the public information observation station and report to OTC listing for reference.	Has been implemented according to the commitments.
3	The Company has committed that Securities and Futures Trading Center of ROC (refer as: Taipei Exchange) shall entrust the accountant or institute designated by OTC listing through the Company to carry out external professional audit in accordance with the audit scope designated by the OTC listing. The audit result shall be submitted to OTC listing and the Company will be responsible for relevant costs.	Has been implemented according to the commitments.
4	As the Company's profit before tax in the first three quarters of 2012 has significantly decreased compared to the same period last year, the Company and the recommended securities firm will fully consider the performance change when discussing the offering price.	Has been implemented according to the commitments.

The violation of the commitments will result in the applicant company in this case (it is an OTC company when the commitments are violated) subject to “Securities Trading Business Rules” Article 12, Paragraph 1, Item 7 and the center shall report to competent authority to stop its securities OTC trading.

The commitment issues will come into effect after the undertaking is issued. Except it is fulfilled, or the term is expired, or the conditions are terminated, its force will continue to be effective during the period of OTC listing. The promised made by the applicant company will not be affected by the change of applicant company’s name or operating class. When the operating class is changing, the non-eliminated promises shall be listed in the handover matters. For the promises made by the applicant company’s director, supervisor, shareholders or specific person, the applicant company is responsible for the broken promises. They shall promise it will not have any impact due to the change of personal name or personal status. If the change of status is in the promise list, then it is not subject to the limit.

IX. By the printing deadline of the latest annual report, the matters that prescribed in Securities Exchange Act Article 36, Paragraph 3, Item 2 that have great impact on shareholder’s equity or security price are: None.

CHIEFTEK PRECISION CO., LTD.

Chairman: CHEN LI-FEN

