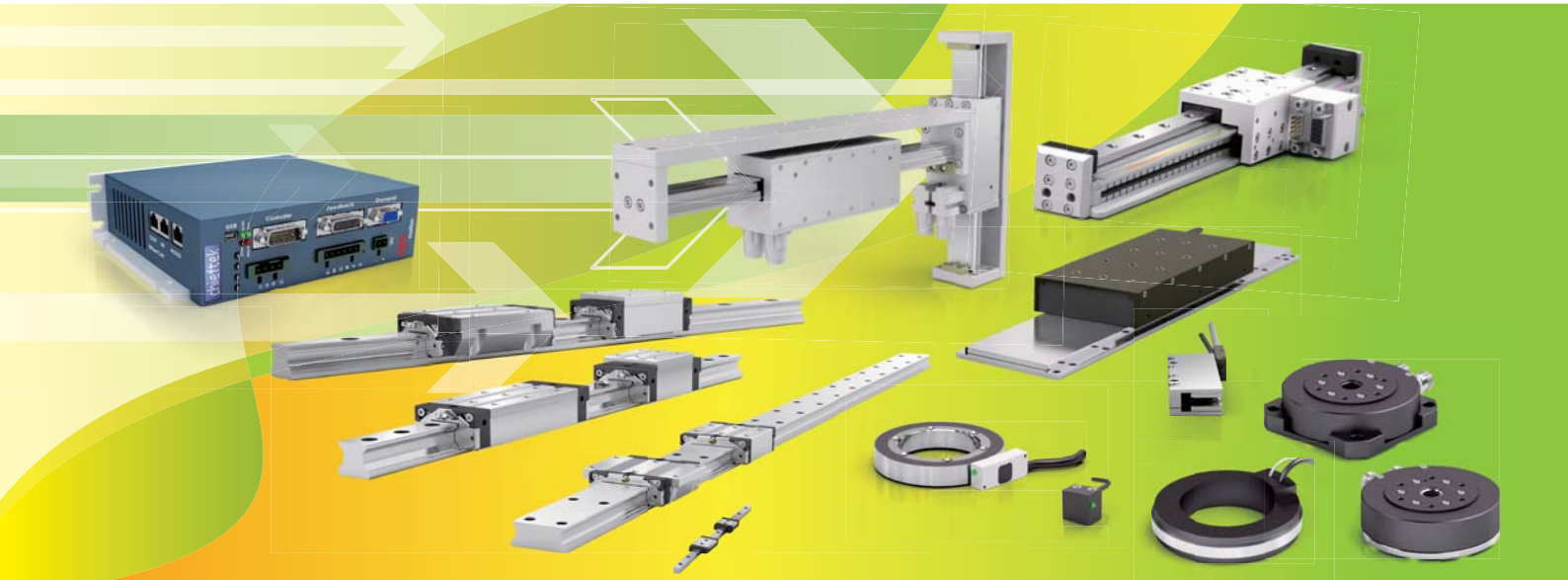


# 2016 Annual Report

Stock Code: 1597



Mechatronics in Linear Motion Technology



**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 22, 2017

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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). Under the global economic recession and great increase of uncertainty and risk factors, all **cpc** members make efforts continuously to significantly reduce the high-risk regions and low-margin businesses, and to enhance the control of operating costs. As a result, although the consolidated operating income in 2016 is reduced by 3.86% if compared with that in 2015, the net profit before tax is greatly increased by 29.47%. Hereby I will report with regard to the operating results of 2016 and operating plan of 2017.

### I. Operating results of last year (2016)

#### (I) Results of operating plan in last year.

**Comparison table of consolidated comprehensive profit/loss of the company and the product sale by type in the last two years is as follows:**

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

Unit: NT\$ in thousand

| Item                                   | 2016      | 2015      | Increase (decrease) |
|--|-----------|-----------|---------------------|
| Net operating income                   | 982,536   | 1,021,983 | (39,447)            |
| Operating cost                         | (627,819) | (715,579) | 87,760              |
| Operating gross profit                 | 354,717   | 306,404   | 48,313              |
| Operating expense                      | (230,384) | (210,248) | (20,136)            |
| Operating profit                       | 124,333   | 96,156    | 28,177              |
| Net non-operating income (expenses)    | (18,925)  | (14,741)  | (4,184)             |
| Net profit before tax                  | 105,408   | 81,415    | 23,993              |
| Net profit after tax                   | 85,534    | 70,782    | 14,752              |
| Other Comprehensive income/loss        | (18,714)  | (6,296)   | (12,418)            |
| Comprehensive income/loss for the year | 66,820    | 64,486    | 2,334               |

2. Product sale by type in the last two years: Please refer to Operation Proportion under V. Operation Overview.

Unit: NT\$ in thousand

| Product type | 2016    |         | 2015      |         | Increase (decrease) |          |
|--------------|---------|---------|-----------|---------|---------------------|----------|
|              | Amount  | %       | Amount    | %       | Amount              | %        |
| Micro type   | 636,792 | 64.81%  | 646,940   | 63.30%  | (10,148)            | (1.57%)  |
| Large type   | 320,047 | 32.57%  | 337,621   | 33.04%  | (17,574)            | (5.21%)  |
| Linear motor | 25,431  | 2.59%   | 37,241    | 3.64%   | (11,810)            | (31.71%) |
| Others       | 266     | 0.03%   | 181       | 0.02%   | 85                  | 47.02%   |
| Total        | 982,536 | 100.00% | 1,021,983 | 100.00% | (39,447)            | (3.86%)  |

The table above shows:

#### (1) Turnover

A. In 2016, the consolidated operating income is NT\$982,536 thousand. Compared with NT\$1,021,983 thousand of 2015, it is decreased by NT\$39,447 thousand with decrease ratio of 3.86%.

B. Compared by regions, China mainland region grows by 1.55%, European region grows by 5.88%, American region declines by 6.70%, Taiwan domestic sales declines by 15.88%, other regions decline by 24.24% (It is mainly due to the sharp devaluation of the local currency of foreign customers. Based on the safety consideration of accounts receivable in cash, it controls the shipment strictly, which results in the reduction of turnover).

(2) Surplus

A. In 2016, consolidated operating gross profit is NT\$354,717 thousand. Compared with NT\$306,404 thousand of 2015, it is increased by NT\$48,313 thousand with growth ratio of 15.77%. Moreover, the operating profit margin in 2016 is increased from 29.98% of 2015 to 36.10%, with the increase ratio reaching as high as 6.12%. It is mainly due to the changes of proportion of product types, as explained below:

(A) The proportion of micro linear products with high gross profit is increased from 63.30% to 64.81%. Moreover, the profit margin of this type is increased from 39.26% of the previous period to 42.57%.

(B) The proportion of large linear products is slightly decreased from 33.04% to 32.57%. However, the profit margin of this type is greatly increased from 11.84% of the previous period to 22.24%.

(C) The proportion of linear motor is slightly decreased from 3.64% to 2.59%. However, the profit margin of this type is greatly increased from 32.96% of the previous period to 47.83%.

B. In 2016, before-tax profit is NT\$105,408 thousand. Compared with NT\$81,415 thousand of 2015, it is increased by NT\$23,993 thousand with growth ratio of 29.47%. The main reasons include:

(A) The profit margin of miniature linear guide is increased, which also accounts for higher proportion in the operating income.

(B) The de-stocking of consolidated inventory achieves significant effectiveness. The amount of consolidated inventory hits the record low. The turnover needs to be supplied by the output of the current period. As a result, the capacity utilization ratio is increased, the profit margin and profitability are both increased as well.

C. In 2016, earning per share (EPS) after tax is NT\$ 1.45.

**(II) Situation of budget enforcement**

Financial forecasting was not published in 2016, so there is no budget achievement.

**(III) Analysis of financial revenue/expenditure and profitability**

| Item                    |  | 2016                  | 2015   |       |
|-------------------------|--|-----------------------|--------|-------|
| Financial structure (%) | Ratio of liabilities to assets                                   | 38.15                 | 42.03  |       |
|                         | Ratio of long-term funds to real property, factory and equipment | 196.89                | 276.70 |       |
| Debt paying ability (%) | Current ratio  | 272.56                | 267.74 |       |
|                         | Quick ratio  | 196.42                | 182.40 |       |
|                         | Interest coverage ratio  | 9.10                  | 5.45   |       |
| Profit structure (%)    | Return on assets (ROA)   | 4.29                  | 3.60   |       |
|                         | Return on equity (ROE)   | 6.39                  | 5.43   |       |
|                         | Ratio on paid-in capital   | Operating profit      | 20.04  | 16.23 |
|                         |  | Net profit before tax | 16.99  | 13.74 |
|                         | Net profit ratio   | 8.71                  | 6.93   |       |
| Basic EPS (\$)          | 1.45   | 1.26                  |        |       |

#### **(IV) R&D situation**

**cpc** starts from precision machinery (**cpc** all series of Miniature and Standard Linear Guide). In terms of the technical sources, our R&D team has mastered the key technologies of the process, moreover, we also cooperate with renowned academic research institutions to develop other advanced products, so as to expand to Linear Motor, Driver and Sensor, with medium and long term goal of developing state-owned servo controller in Taiwan. Influenced by the application concept and trend of wisdom automation and smart factory spreading all over the world, **cpc** holds relevant information and trend of the global manufacturing industry and machinery market. We will devote to development of new products such as advanced mechanical processing system. It will bring new business opportunity for the Company and the industry with industry 4.0 plan.

In 2016, the company inputs NT\$43,775 thousand as R&D expense. Compared with NT\$36,985 thousand of 2015, it is increased by NT\$6,790 thousand with growth ratio of 18.36%.

## **II. Summary of operating plans in this year (2017)**

### **(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 physical and mental liberty 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 industrial 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, so as to improve brand awareness and value.
- (2) Strengthen management of existing customers, and establish good interaction.
- (3) Continuously enhance operating functions of each area, so as to increase overall operating income.
- (4) Increase competitiveness of niche products.

## **2. Manufacturing policy**

- (1) Improve manufacturing accuracy, efficiency and quality, to increase product competitiveness.
- (2) Improve yield rate and utilization rate, so as to reduce attrition rate.
- (3) Search appropriate raw material suppliers, to achieve optimal price and stable quality.
- (4) Build worldwide management mechanism and integrate group resources.

## **III. Company's future development strategy**

As a high-quality manufacturer of direct-drive system products, **cpc** doesn't only continuously develop direct-drive system products, but also apply the self-owned technologies in the fields of Industry 4.0:

- (I) All transmission components, miniature linear slide put into volume production for biomedical industry, and machine tools and even linear slide for engineering.
- (II) The driving components include the linear-movement motor, DD motor provided for rotation system and the miniature motor that can be widely applied in anthropomorphic joints.
- (III) To produce magnetic encoding components, provide high-precision position feedback system.
- (IV) In terms of the control components, the servo driver with high-speed communication is integrated with highly flexible application interfaces, which can combine with cloud operation interface to achieve application integrated with industrial and network technology.
- (V) The products to be developed in the future include: ME1 magnetic encoder, DR-105 series frameless direct-drive motor, RP-120 series framed direct-drive motor, anti-interference module and 3S drive applicable for driver.

In the future, we will develop from the linear module composed of self-owned technological products to the production line of system devices with higher value-added, industrial robots, even service and medical robots. It makes industrial high logic and precision break through the barriers to the consumption market, bringing a smart life for people.

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

### **(I) External competitive environment**

Under price competition from competitors and customer bargaining pressure, we will continue to develop niche products, strengthen process capabilities, and control cost strictly. Through exhibition home and abroad, we can improve corporate awareness and **cpc** brand value, as well as improve overall competitiveness of the group.

### **(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, smart manufacturing has become the focus of industrial development. **cpc** actively promotes the advantageous product, the miniature linear guide, to increase market share. Moreover, it establishes the subsidiary CSM Maschinen GmbH in Germany in 2016 by reinvestment, which adopts joint development pattern with German technologies to accelerate the upgrade of mechanical industry.



Our corporate will still stick to “deep ploughing in technology field, expanding customers’ service, positively carrying on innovations and R&D, accumulating patented resources”. The long-term accumulated advantages, profound technology, manpower and capacity for R&D and innovation will continuously improve international competitiveness of the group, maximize the benefits 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.<br>Applied for “Linear motion bearings” patent to Taiwan, America, Germany and Japan.<br>Moved into incubation center of National Cheng Kung University and carry out Industry-University collaboration with National Cheng Kung University.<br>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.<br>Beginning of MR9M Miniature Linear Guide mass production.<br>Apply for increased capital by cash in April, paid-in capital was increased to NT\$41,200 thousand.<br>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.<br>Entered Korean market and signed the contract with Korean agent.<br>Establishment of factory in southern science industrial park was approved by National Science Council (NSC).<br>“Linear motion bearings” was approved by American patent.<br>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.<br>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.<br>Apply for increased capital by cash in August, paid-in capital was increased to NT\$270,000 thousand.<br>Apply for increased capital by cash in October, paid-in capital was increased to NT\$290,000 thousand.<br>Exhibited all series of Miniature Linear Guide in Shanghai in December.  |
| 2004 | Beginning of Size3Miniature Linear Guide mass production.<br>Apply for increased capital by cash in January, paid-in capital was increased to NT\$340,000 thousand.<br>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.<br>Official mass production of standard Linear Guide.   |
| 2007 | Mass production of AR/HR Roller type Linear Guide.<br>Passed the ISO9001 quality certification.<br>Carried out university-industry collaboration with mechanical engineering department of National Chung Cheng University.<br>Applied for “R&D subsidy to early design and development of linear motor” and  |

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

| 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, <b>cpc</b> holding 80% shares.</p> <p>Capital increase from earnings NT\$28,117 thousand, amount of paid-in capital increased to NT\$620,455 thousand</p>   |
| 2017 | <p>Product presentation for “Direct-drive Linear Motor Introduction and Application”, “Driving System Introduction and Application”, and “Linear Guide Introduction and Application” in TIMTOS 2017</p> <p>Obtained the construction license of Phase-I Plant Construction Project in Tree Valley Park</p> <p>Ranked in the top 20% in the third corporate governance assessment, and won the “Improvement Award” for encouragement.</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 2016 and by the date of printing 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 2016 and by the date of printing 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 2016 and by the date of printing 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.

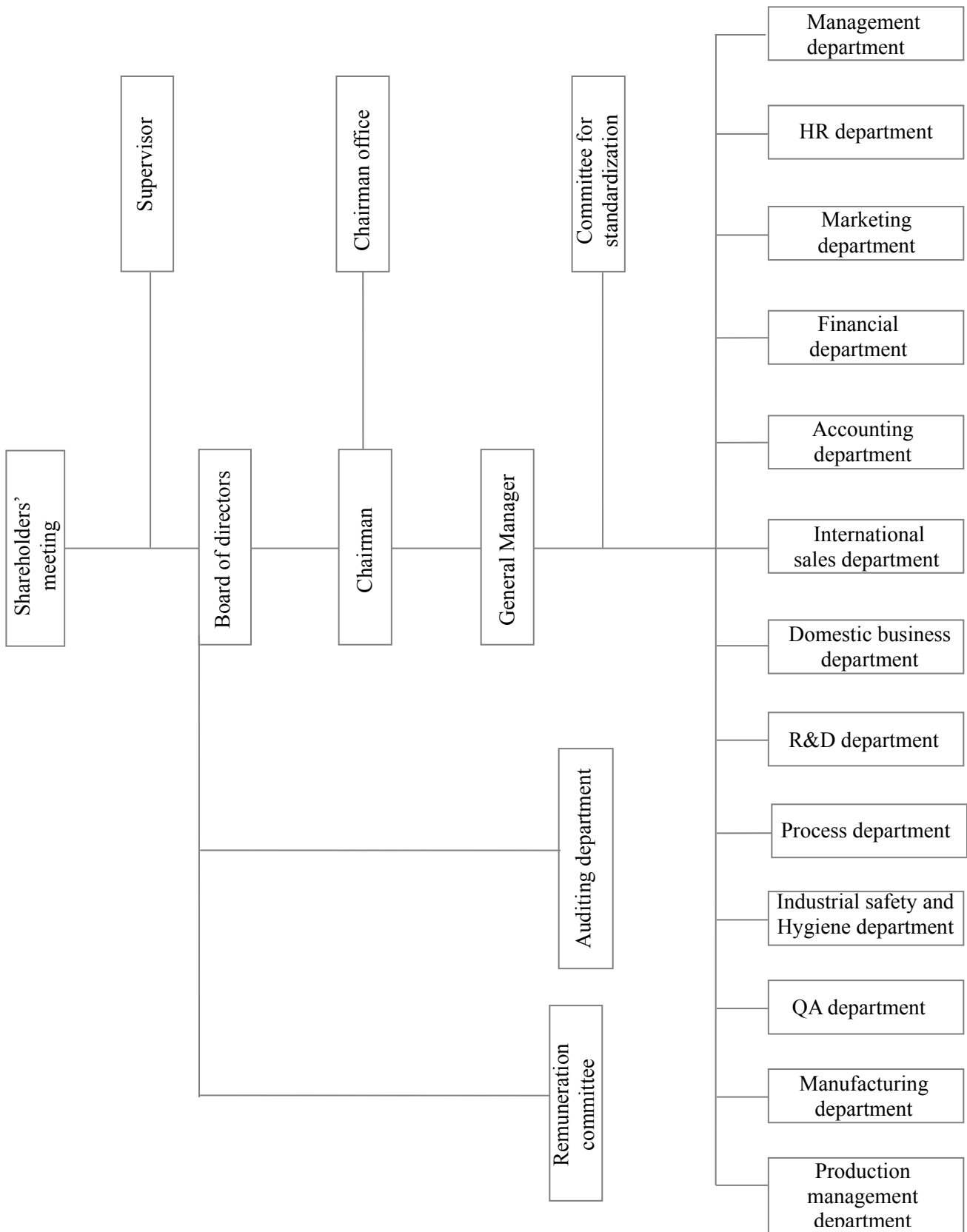
1. Mass transfer or changes of shares of directors, supervisors and shareholders with more than 10% shares:

- (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 date of printing 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"> <li>1. To set up outstanding <b>cpc</b> international brand management.</li> <li>2. To integrate friendly relationship among matching manufacturers in international market.</li> <li>3. To fulfill the righteous social responsibility and environmental humanistic responsibility.</li> <li>4. To promote social responsibility and honest operation of the corporate.</li> <li>5. To pursue the maximum benefit for all shareholders and corporate permanent development.</li> </ol>  |
| Auditing dept.            | <ol style="list-style-type: none"> <li>1. To draft and implement each auditing policy and procedure of the company.</li> <li>2. To draft annual overall auditing plan.</li> <li>3. To audit and check the implementation of internal control in each department, to provide improvement suggestion, to track defects and recheck.</li> </ol>  |
| Compensation committee    | <ol style="list-style-type: none"> <li>1. To draft recommendation of salary and compensation for board directors, supervisors and managers and regular assessment report.</li> <li>2. To draft and review regularly the performance evaluation of board directors, supervisors and managers.</li> <li>3. To draft and review regularly salary and compensation policy, system, standard and structure of our company.</li> </ol>  |
| Standardization committee | <ol style="list-style-type: none"> <li>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.</li> <li>2. To review and discuss the content of standardization documents to make the standard accord with actual demand.</li> <li>3. Planning, adjustment, auditing, improvement and other activity management of ISO 9001 quality management system (QMS).</li> <li>4. To promote and manage quality objectives.</li> <li>5. To assist management representatives convene management examination meetings.</li> </ol>  |
| Management dept.          | <ol style="list-style-type: none"> <li>1. Purchasing section:               <ol style="list-style-type: none"> <li>(1) To make purchasing plan.</li> <li>(2) Development, assessment and management of new subcontractor or outsourcing manufacturer.</li> <li>(3) Inquiry, price comparison, bargaining and contracting of purchasing.</li> <li>(4) Domestic and overseas purchasing.</li> <li>(5) Coordination with subcontractor or outsourcing manufacturer.</li> </ol> </li> <li>2. Information section:               <ol style="list-style-type: none"> <li>(1) To maintain and plan network host of the company.</li> <li>(2) Planning, setting-up and basic maintenance of hardware circuit.</li> <li>(3) Planning and implementation of software.</li> <li>(4) To check system data and its use.</li> <li>(5) To backup data and maintain database regularly.</li> <li>(6) To coordinate and promote computerized operations.</li> <li>(7) Education and training of company information.</li> <li>(8) ERP system maintenance, development and design of report.</li> </ol> </li> <li>3. General affairs section:               <ol style="list-style-type: none"> <li>(1) Management and handling of staff meals and general affairs.</li> <li>(2) Management of transactional fixed assets and tools.</li> </ol> </li> <li>4. Factory affairs section:               <ol style="list-style-type: none"> <li>(1) To ensure normal water supply and quality of air-compressor and air-conditioner.</li> </ol> </li> </ol> |

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



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

| Major department                    | Main business  |
|-------------------------------------|--|
| Industrial safety and Hygiene dept. | 13. Collection, sharing and application of safety and health information.<br>14. Emergency Measures.<br>15. Investigation, settlement and statistical analysis of occupational accidents, near misses and incidents that affect physical and psychological health.<br>16. Management records and performance evaluation measures of safety and health.<br>17. Other management measures of safety and health.  |
| QA dept.                            | 1. Implementation of quality policy, implementation and correction of quality system and operation procedure.<br>2. To carry out and maintain related responsibilities regulated by quality system.<br>3. To assist and solve customers' problems.<br>4. Precautionary measures, reason analysis, countermeasures drafting, follow-up processing and tracking confirmation of abnormal quality incidents.<br>5. Drafting of calibration plan, management of inspection and testing equipment, implementation of internal calibration and control of external calibration.<br>6. Responding, handling and tracking of customers' complaints.<br>7. Inspection and judgment of incoming material, processing, finished products before shipment. |
| Manufacturing dept.                 | 1. Implementation and control of production line planning and scheduling.<br>2. Improve production efficiency, technology and quality of finished products.<br>3. Control and improvement of product yield.<br>4. Quality abnormal reaction and implementation of improvement.<br>5. Maintenance and adjustment of manufacturing equipment and instruments.<br>6. Manpower training and employment plan and performance assessment   |
| Product management dept.            | 1. Product management section:<br>(1) Annual production and marketing planning.<br>(2) Goal setting and MOC (management of change) of production planning.<br>(3) Implementation of production planning, coordination of production, marketing and delivery.<br>(4) Requirement, purchasing, allocation and control of production materials.<br>2. Warehouse management section:<br>(1) Inventory management (including finished products, semi-finished products, WIP, raw materials, accessories).<br>(2) Receiving and dispatching of material and finished products.<br>(3) Checking.<br>(4) Requirement and control of material, improve inventory turnover ratio.<br>(5) Ensuring proper warehousing and shipping.                       |

## 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 22, 2017

| Job Title                           | Nationality or Place of Registry | Name        | Gender | 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 | Female | June 6, 2104     | 3 years          | October 14, 1998       | 2,370,879                     | 4.22%              | 2,655,805             | 4.28%              | 4,057,701  | 6.54%              | 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, Chairman of Situjia Food 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   |

| Job Title  | Nationality or Place of Registry | Name              | Gender | 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 |
| Board Director, General Manager and R&D Supervisor | The Republic of China            | HSU MING-CHE      | Male   | June 6, 2014           | 3 years          | October 14, 1998       | 3,652,646                     | 6.50%              | 4,057,701             | 6.54%              | 2,655,805  | 4.28%              | 0                                   | 0                  | Master of Mechanical Engineering of Universität Stuttgart  | General Manager and R&D Supervisor of Chieftek Precision CO., Ltd.   | Board Chairman and Chief Strategy Officer   | CHEN LI-FEN | Spouse   |
| Board Director                                     | The Republic of China            | LI AN             | Female | June 16, 2016 (Note 3) | 1 year           | June 16, 2016          | 434,774                       | 0.74%              | 782,030               | 1.26%              | 0  | 0                  | 0                                   | 0                  | Bachelor of Nutrition, Fu Jen Catholic University; Master of Nutrition, New York University; Master of Computer, University of Denver; NREL Computer Engineer; Senior Computer Engineer of US West Inc.; Information Chief of Motech Industries Inc. | Nil  | Nil   | Nil         | Nil      |
| Board Director                                     | The Republic of China            | CHENG SHENG-FEN   | Male   | June 6, 2104           | 3 years          | December 30, 2004      | 340,540                       | 0.61%              | 375,445               | 0.61%              | 1,348,505  | 2.17%              | 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         | Nil      |
| Board Director                                     | The Republic of China            | WANG CHEN PI-HSIA | Female | June 6, 2104           | 3 years          | December 30, 2004      | 451,339                       | 0.80%              | 450,350               | 0.73%              | 85,243   | 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      |

| Job Title            | Nationality or Place of Registry | Name         | Gender | 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 |
| Independent Director | The Republic of China            | CHEN-SHU     | Male   | 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 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 | Professor of Chinese Culture University, Professor of National Chengchi University and Independent Director of Taiwan Pelican Express Co., LTD | Nil   | Nil  | Nil      |
| Independent Director | The Republic of China            | WU CHUNG-JEN | Male   | June 6, 2014     | 3 years          | June 17, 2011          | 19,397                        | 0.03%              | 21,384                | 0.03%              | 0  | 0                  | 0                                   | 0                  | Doctor of Chemical Engineering of National Cheng Kung University, Researcher of Industrial Technology Research Institute Union Chemical Laboratories,   | Chairman of CHIH RO ENTERPRISE CO.,LTD, Chairman of YYC Material Technology CO.,LTD, Chairman of SUPLA Material Technology CO.,LTD, Jiangsu    | Nil   | Nil  | Nil      |

| Job Title            | Nationality or Place of Registry | Name          | Gender | 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 |
|                      |                                  |               |        |                  |                  |                        |                               |                    |                       |                    |  |                    |                                     |                    | 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 Division, ChungHwa Picture Tubes, LTD. |  |   |      |          |
| Independent Director | The Republic of China            | WEI NAI-CHANG | Male   | June 6, 2014     | 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      |

| Job Title  | Nationality or Place of Registry | Name          | Gender | 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 |
| Supervisor | The Republic of China            | KUANG HSI-HUI | Female | June 6, 2104     | 3 years          | December 30, 2004      | 149,065                       | 0.27%              | 164,343               | 0.27%              | 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        | Female | June 6, 2104     | 2 years          | June 20, 2012          | 441,580                       | 0.79%              | 393,941               | 0.63%              | 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 TRAVEL                  | Nil   | Nil   | Nil  |          |
| Supervisor | The Republic of China            | TSENG HSU-WEN | Male   | June 6, 2104     | 3 years          | June 17, 2011          | 41,406                        | 0.07%              | 45,649                | 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  |          |

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: Ms. LI AN- Board Director of the company was appointed on June 16, 2016 through supplemented election.

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

May 22, 2017

| 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   |
| LI AN             |   |  | ✓  | ✓                              |   |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓  | 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 22, 2016

| Job Title  | Nationality           | Name            | Gender | 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     | Female | October 19, 1998  | 2,655,805     | 4.28%              | 4,057,701                                      | 6.54%              | 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-CHE | Spouse   |
| General Manager and R&D Supervisor                   | The Republic of China | HSU MING-CHE    | Male   | October 19, 1998  | 4,057,701     | 6.54%              | 2,655,805                                      | 4.28%              | 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  | Male   | March 12, 2014    | 78,921        | 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 | Female | December 17, 2010 | 370,936       | 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    | Male   | June 8, 2012      | 6,615         | 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             | Gender | 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     | Male   | February 1, 2013   | 37,782        | 0.06%              | 0  | 0                  | 0                                   | 0                  | Tungchi University, Department of Accounting;<br>Assistant Accounting Manager of Elitegroup Computer Systems Co., Ltd.;<br>Accounting Manager of Bangcheng Electronic Technology Co., LTD  | Nil  | Nil   | Nil  | Nil      |
| HR manager                              | The Republic of China | YEH CHING-CHING  | Female | July 7, 2011       | 383,902       | 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    | Male   | March 31, 2105     | 2,100         | 0%                 | 0  | 0                  | 0                                   | 0                  | National Cheng Kung University, Department of Mechanical Engineering;<br>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  | Male   | April 1, 2105      | 6,779         | 0.01%              | 0  | 0                  | 0                                   | 0                  | Master of University of Queensland Engineering Science   | Nil  | Nil   | Nil  | Nil      |
| Manager of Domestic Business Department | The Republic of China | Shen DONG-YI     | Male   | August 03, 2011    | 4,859         | 0.01%              | 0  | 0                  | 0                                   | 0                  | Department of Business Administration, Far East University   | Nil  | Nil   | Nil  | Nil      |
| Audit Supervisor                        | The Republic of China | CHENG HSIU-YU EH | Female | September 24, 2010 | 1,372         | 0%                 | 0  | 0                  | 0                                   | 0                  | Department of Accounting Information of Kun Shan University of Technology;<br>Chief Accountant of Catcher Technology Co., Ltd.;<br>Financial Attache of Xinshichang Metal Co., Ltd;<br>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)                    |                    |                   |  |  |        |  |  |
|  |                   | 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 |                    | The company       | All companies in the financial reports |  |        |  |  |
|  |                   |                         |  |                               |  |                             |  |                             |  |   |  |  |  |                               |   | Cash bonus amount                      | Stock bonus amount | Cash bonus amount | Stock bonus amount                     |  |        |  |  |
| Chairman and Chief Strategy Officer                | CHEN LI-FEN       |                         |  |                               |  |                             |  |                             |  |   |  |  |  |                               |   |  |                    |                   |  |  |        |  |  |
| Board Director, General Manager and R&D Supervisor | HSU MING-CHE      |                         |  |                               |  |                             |  |                             |  |   |  |  |  |                               |   |  |                    |                   |  |  |        |  |  |
| Board Director                                     | LI AN             | 0                       | 0                                      | 0                             | 0                                      | 2,448                       | 2,448                                  | 240                         | 240                                    | 3.14%   | 3.14%                                  | 7,370  | 7,370                                  | 0                             | 0 | 1,546                                  | 0                  | 1,546             | 0                                      | 13.57%   | 13.57% | 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 2016 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, LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA, CHEN SHU, WU CHUNG-JEN and WEI NAI-CHANG | CHEN LI-FEN, HSU MING-CHE, LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA, CHEN SHU, WU CHUNG-JEN and WEI NAI-CHANG | LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA, CHEN SHU, WU CHUNG-JEN and WEI NAI-CHANG | LI AN, CHENG SHENG-FEN, WANG CHEN PI-HSIA, CHEN SHU, WU CHUNG-JEN and WEI NAI-CHANG |
| NT\$2,000,000 (included)~5,000,000 (excluding)                      | 0  | 0  | CHEN LI-FEN and HSU MING-CHE  | CHEN LI-FEN and HSU MING-CHE  |
| NT\$5,000,000 (included)~10,000,000 (excluding)                     | 0  | 0  | 0   | 0   |
| NT\$10,000,000 (included)~15,000,000 (excluding)                    | 0  | 0  | 0   | 0   |
| NT\$15,000,000 (included)~30,000,000 (excluding)                    | 0  | 0  | 0   | 0   |
| NT\$30,000,000 (included)~50,000,000 (excluding)                    | 0  | 0  | 0   | 0   |
| NT\$50,000,000 (included)~100,000,000 (excluding)                   | 0  | 0  | 0   | 0   |
| >NT\$100,000,000  | 0  | 0  | 0   | 0   |
| In total  | 8 persons  | 8 persons  | 8 persons   | 8 persons   |

## 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 |                             |  |                  |  |                            |  |  |  |  |
| Supervisor with independent functions | TSENG HSU-WEN | 0                           | 0                                      | 918              | 918                                    | 72                         | 72                                     | 1.16%  | 1.16%                                  | Nil  |
| Supervisor                            | LI MEI        |                             |  |                  |  |                            |  |  |  |  |

Note 1: Directors and supervisors remuneration in 2016 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 remuneration 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 (%) |  | 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 |  |
|  |                |             |  |                               |  |                                    |  | Cash bonus amount   | Stock bonus amount | Cash bonus amount                      | Stock bonus amount |  |  |  |
| General manager                                      | HSU MING-CHE   |             |  |                               |  |                                    |  |                     |                    |  |                    |  |  |  |
| Vice-General Manager of Domestic Business Department | CHEN MIN-CHANG | 4,611       | 5,400                                  | 0                             | 0                                      | 518                                | 518                                    | 1,081               | 0                  | 1,081                                  | 0                  | 7.26%  | 8.18%                                  | 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(E) |
| <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

May 22, 2017; 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    | 1.57%  |
|         | 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 (Financial and Accounting Manager) | 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                                  | 2016                               |  | 2015                               |  |
|--|------------------------------------|--|------------------------------------|--|
|  | 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                           | 13.57%                             | 13.57%                                 | 13.84%                             | 13.84%                                 |
| Supervisor                               | 1.16%                              | 1.16%                                  | 1.58%                              | 1.58%                                  |
| General Manager and Vice-General Manager | 7.26%                              | 8.18%                                  | 8.26%                              | 9.42%                                  |

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 2016, 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       | CHENG SHENG-FEN   | 5                          | 0                         | 100.00%                           |        |
| Board Director       | WANG CHEN PI-HSIA | 5                          | 0                         | 100.00%                           |        |
| Board Director       | LI AN             | 2                          | 0                         | 100.00%                           | Note 1 |
| Independent Director | CHEN-SHU          | 4                          | 1                         | 60.00%                            |        |
| Independent Director | WU CHUNG-JEN      | 2                          | 3                         | 60.00%                            |        |
| Independent Director | WEI NAI-CHANG     | 5                          | 0                         | 100.00%                           |        |
| Supervisor           | KUANG HSI-HUI     | 4                          | 0                         | 100.00%                           |        |
| Supervisor           | LI MEI            | 5                          | 0                         | 100.00%                           |        |
| Supervisor           | TSENG HSU-WEN     | 3                          | 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. Therefore, Ms. LI AN was appointed in the Board Meeting held on June 16, 2016 through supplemented election.

Other matters that shall be recorded:

- I. Under one of the following situations occurs to the board operation, it shall detail the date of board meeting, term, proposal content, opinions of all independent directors and handling by the Company:
  - (I) Items listed under Item 3, Article 14 of Securities Exchange Act:
    1. “2015 year-end bonus distribution plan for managerial personnel reviewed by the Remuneration Committee” was discussed in the Board Meeting held on January 29, 2016. All directors (including the independent directors) except for Director CHEN LI-FEN and Director HSU MING-CHE who didn’t participate in discussion and voting due to avoidance of interests, unanimously agree to pass the proposal.
    2. “2015 annual staff remuneration proposal reviewed by the Remuneration Committee” was discussed in the Board Meeting held on August 10, 2016. All directors (including the independent directors) except for Director CHEN LI-FEN and Director HSU MING-CHE who didn’t participate in discussion and voting due to avoidance of interests, unanimously agree to pass the proposal.
    3. “2016 year-end bonus distribution plan for managerial personnel reviewed by the Remuneration Committee” was discussed in the Board Meeting held on January 20, 2017. All directors (including the independent directors) except for Director CHEN LI-FEN and Director HSU MING-CHE who didn’t participate in discussion and voting due to avoidance of interests, unanimously agree to pass the proposal.
    4. “Proposal of changing official vehicles for Chairman and General Manager reviewed by the Remuneration Committee” was discussed in the Board Meeting held on May 9, 2017. All directors (including the independent directors) except for Director CHEN LI-FEN and Director HSU MING-CHE who didn’t participate in discussion and voting due to avoidance of interests, unanimously agree to pass the proposal.
  - (II) Other resolution matters of the board of directors that independent directors hold the objection or reservations and have related record or written statement: Nil.
- II. As for the execution situation that board directors avoid the proposal in which they have a stake, items like director name, proposal content, avoidance cause and voting participation situation shall be detailed: It shall refer to sub item 1 of the first item.
- 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 the 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 (A) were held by the board of directors in 2016, and attendance situation is as follows:

| Job Title  | Name          | Actual attendance time (B) | Actual attendance ratio (%) [B/A] | Remark |
|------------|---------------|----------------------------|-----------------------------------|--------|
| Supervisor | KUANG HSI-HUI | 4                          | 80.00%                            |        |
| Supervisor | LI MEI        | 5                          | 100.00%                           |        |
| Supervisor | TSENG HSU-WEN | 3                          | 60.00%                            |        |

Other matters that shall be recorded:

I. Composition and duties of supervisors:

(I) Communication situation of supervisors with employees and shareholders: the 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 CPA:

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 shall directly contact the CPA when considering necessary to communicate regarding the financial condition.

II. In case of any statement during attending the board of directors by supervisors, items like date, term, proposal contents and resolution results of the board of directors, and handling 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(Note) |    |  | 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] according to [Corporate Governance Best Practice Principles for Listed Companies], including the provisions of guaranteeing the shareholder's equity, enhancing of functions of the Board, taking advantages of supervisor's functions, respecting stakeholder's rights and benefits, and improving information transparency. For more details, please visit the corporate website ( <a href="http://www.chieftek.com">www.chieftek.com</a> ). | Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies                     |

| Items evaluated  | Operation situation(Note) |    |   | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |
|--|---------------------------|----|---|--|
|  | YES                       | NO | Summary documentation   |  |
| II. Corporate equity structure and shareholders' equity  |                           |    |   |  |
| (I) Whether the company formulates the internal operation procedure to handle shareholder proposal, doubt, dispute and litigation and implements it in accordance with the procedure?  | ✓                         |    | (I) The company has formulated related internal operation procedures to handle the shareholders related matters. There are also spokesperson and agent spokesperson system, and the Chairman's Office and the Financial Department are in charge of the related matters, so as to guarantee the timely and proper information disclosure. In addition, the special mailbox is set up to handle shareholder's proposal, doubt, dispute and litigation affairs. | 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?                                  | ✓                         |    | (II) Change situation of stock rights held by insiders including board directors, supervisors, managers and major shareholders holding 10% of shares is declared in the MOPS public as required by the competent authority.   | 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?   | ✓                         |    | (III) Assets, 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                     |
| (IV) Whether the company formulates the internal specification to prohibit the corporate insiders to buy or sell negotiable securities by using the information undisclosed in market? | ✓                         |    | (IV) The company formulates [Management Method to Prevent Insider Trading], [Ethics 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                     |

| Items evaluated   | Operation situation(Note) |    |  | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |
|---|---------------------------|----|--|--|
|   | YES                       | NO | Summary documentation  |  |
| III. Composition and duties of the board of directors<br>(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].<br>1. The [Corporate Governance Codes] is carried out practically.<br>2. Currently, all board members are specialists in various fields or personnel experienced in corporate businesses. It shall meet the diversification policy of composition of the Board and implement it in practice.<br>3. As required in Article 20 of the [Corporate Governance Codes]: The Board of the Company shall provide instruction for the corporate strategic, and supervision management level, which shall report to the Company and the shareholder's meeting. In terms of various operations and arrangements related to corporate governance system, it shall ensure the Board to exercise rights based on the applicable laws, the regulations of the Articles of Association or the resolution of the shareholder's meeting.<br>As for the structure of the Board, it shall consider the business development scale of the company and the shareholding of the major shareholders, as well as the practical demands of operation, which shall determine the appropriate number of members more than 5.<br>The composition of the Board shall consider diversification. The number of directors concurrently serving as the manager shall not exceed one third of the total number. Moreover, it shall formulate appropriate diversification policies based on the business, operation pattern and development demands, including but not limited to the standards of the following two dimensions: | Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies                     |

| Items evaluated | Operation situation(Note) |    |   | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |
|-----------------|---------------------------|----|---|--|
|                 | YES                       | NO | Summary documentation   |  |
|                 |                           |    | <p>(1) Basic conditions and values: gender, age, nationality, culture, and etc.</p> <p>(2) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industrial experience.</p> <p>The members of the Board shall acquire the knowledge, skills and character required to exercise the rights. To achieve the ideal goal of corporate governance, the overall Board shall possess the abilities as listed below:</p> <p>(1) Operating adjustment.<br/> (2) Accounting and financial analysis<br/> (3) Business management<br/> (4) Crisis handling<br/> (5) Industrial knowledge<br/> (6) International market view<br/> (7) Leadership<br/> (8) Decision-making</p> <p>The diversification policies of the board composition are disclosed on the official website of the Company and MOPS.</p> <p>4. The Board of Directors of the Company discussed the amendment by way of the Articles of Association of the Company on May 9, 106. The Company elected the nomination system for the election of the directors and supervisors by the shareholders of the Company on the list of candidates in the list of candidates Elected</p> <p>5. The list of members of the 6th director of the Company includes three women and five men. The list of supervisors includes two women and one male. The directors and supervisors are extremely rich in experience in leadership, operation judgment, operation and management, crisis management and so on, and have the knowledge of the industry and the international knowledge of the industry. View.</p> |  |

| Items evaluated  | Operation situation(Note) |    |  | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |
|--|---------------------------|----|--|--|
|  | YES                       | NO | Summary documentation  |  |
| (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. Apart from setting the Compensation Committee according to law, the Company will also set other functional committees in proper time.  | Did not made the performance evaluation method of the board of directors                                       |
| (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, but has regularly tracked and recorded the attendance, interest avoidance, audit report, etc. relevant to the Board.  | Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies                     |
| (IV) Whether the company regularly evaluates the independence of certified public accountant?  | ✓                         |    | (IV) The Accounting Department of the Company regularly evaluates the independence of the CPA, and report the evaluation result to the Board after obtaining the CPA's Absolute Independence Statement. Prior to appointing the accountant by the Board resolution each year, the Company shall first review his/her independence; 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 CPA also do not violate the independence requirement.<br><br>1. To regulate the review of CPA appointment of the Company and build good corporate governance system, Article 29 of the [Corporate Governance Codes] of the Company shall be based to evaluate the independence of CPA and handle, enhance and promote financial report quality. | Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies                     |

| Items evaluated                    | Operation situation(Note)   |     |   | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |  |     |    |    |   |   |  |    |   |   |  |    |   |   |  |    |   |   |  |    |  |   |  |    |  |   |  |    |  |   |  |  |
|------------------------------------|---|-----|---|--|--|-----|----|----|---|---|--|----|---|---|--|----|---|---|--|----|---|---|--|----|--|---|--|----|--|---|--|----|--|---|--|--|
|                                    | YES   | NO  | Summary documentation   |  |  |     |    |    |   |   |  |    |   |   |  |    |   |   |  |    |   |   |  |    |  |   |  |    |  |   |  |    |  |   |  |  |
|                                    |   |     | <p>2. The company proceeds with the review and evaluation on independence elements, independence operation, competence and so on related to CPA LIN TZU-SHU and CPA LIN YUNG-CHIH.</p> <p>3. All CPAs are appointed upon the resolution by the Board on January 29, 2017.</p> <p>4. The CPA review and evaluation content is listed as below:</p> <table border="1"> <thead> <tr> <th colspan="2">I. Review of independence elements</th> <th>YES</th> <th>NO</th> </tr> </thead> <tbody> <tr> <td>01</td> <td>The CPA, or the spouse or a minor child thereof, has invested in the Company, or shares in financial gains therewith.</td> <td>✓</td> <td></td> </tr> <tr> <td>02</td> <td>The CPA, or the spouse or a minor child thereof, has lent or borrowed funds to or from the Company. However, this does not apply if the client is a financial institution and the borrowing or lending is part of a normal business relationship.</td> <td>✓</td> <td></td> </tr> <tr> <td>03</td> <td>The accounting firm doesn't present the assurance service report for the effective operation of the designed or assistive executing financial information system.</td> <td>✓</td> <td></td> </tr> <tr> <td>04</td> <td>The CPA or the members of the Audit Service Team are not appointed as the director, or manager, or take up the post that has material influence on the audit case currently or in the last two years.</td> <td>✓</td> <td></td> </tr> <tr> <td>05</td> <td>There is no key item of non-audit service provided by the Company that will show direct influence on the audit case.</td> <td>✓</td> <td></td> </tr> <tr> <td>06</td> <td>The CPA or the members of the Audit Service Team is no engaged in the publicity or brokerage for the shares or other securities issued by the Company.</td> <td>✓</td> <td></td> </tr> <tr> <td>07</td> <td>Except for the businesses permitted by laws, the CPA or the members of the Audit Service Team doesn't serve as the defender for the Company, or coordinate the conflict with a third party on behalf of the Company.</td> <td>✓</td> <td></td> </tr> </tbody> </table> | I. Review of independence elements   |  | YES | NO | 01 | The CPA, or the spouse or a minor child thereof, has invested in the Company, or shares in financial gains therewith. | ✓ |  | 02 | The CPA, or the spouse or a minor child thereof, has lent or borrowed funds to or from the Company. However, this does not apply if the client is a financial institution and the borrowing or lending is part of a normal business relationship. | ✓ |  | 03 | The accounting firm doesn't present the assurance service report for the effective operation of the designed or assistive executing financial information system. | ✓ |  | 04 | The CPA or the members of the Audit Service Team are not appointed as the director, or manager, or take up the post that has material influence on the audit case currently or in the last two years. | ✓ |  | 05 | There is no key item of non-audit service provided by the Company that will show direct influence on the audit case. | ✓ |  | 06 | The CPA or the members of the Audit Service Team is no engaged in the publicity or brokerage for the shares or other securities issued by the Company. | ✓ |  | 07 | Except for the businesses permitted by laws, the CPA or the members of the Audit Service Team doesn't serve as the defender for the Company, or coordinate the conflict with a third party on behalf of the Company. | ✓ |  |  |
| I. Review of independence elements |   | YES | NO  |  |  |     |    |    |   |   |  |    |   |   |  |    |   |   |  |    |   |   |  |    |  |   |  |    |  |   |  |    |  |   |  |  |
| 01                                 | The CPA, or the spouse or a minor child thereof, has invested in the Company, or shares in financial gains therewith.   | ✓   |   |  |  |     |    |    |   |   |  |    |   |   |  |    |   |   |  |    |   |   |  |    |  |   |  |    |  |   |  |    |  |   |  |  |
| 02                                 | The CPA, or the spouse or a minor child thereof, has lent or borrowed funds to or from the Company. However, this does not apply if the client is a financial institution and the borrowing or lending is part of a normal business relationship. | ✓   |   |  |  |     |    |    |   |   |  |    |   |   |  |    |   |   |  |    |   |   |  |    |  |   |  |    |  |   |  |    |  |   |  |  |
| 03                                 | The accounting firm doesn't present the assurance service report for the effective operation of the designed or assistive executing financial information system.   | ✓   |   |  |  |     |    |    |   |   |  |    |   |   |  |    |   |   |  |    |   |   |  |    |  |   |  |    |  |   |  |    |  |   |  |  |
| 04                                 | The CPA or the members of the Audit Service Team are not appointed as the director, or manager, or take up the post that has material influence on the audit case currently or in the last two years.   | ✓   |   |  |  |     |    |    |   |   |  |    |   |   |  |    |   |   |  |    |   |   |  |    |  |   |  |    |  |   |  |    |  |   |  |  |
| 05                                 | There is no key item of non-audit service provided by the Company that will show direct influence on the audit case.  | ✓   |   |  |  |     |    |    |   |   |  |    |   |   |  |    |   |   |  |    |   |   |  |    |  |   |  |    |  |   |  |    |  |   |  |  |
| 06                                 | The CPA or the members of the Audit Service Team is no engaged in the publicity or brokerage for the shares or other securities issued by the Company.  | ✓   |   |  |  |     |    |    |   |   |  |    |   |   |  |    |   |   |  |    |   |   |  |    |  |   |  |    |  |   |  |    |  |   |  |  |
| 07                                 | Except for the businesses permitted by laws, the CPA or the members of the Audit Service Team doesn't serve as the defender for the Company, or coordinate the conflict with a third party on behalf of the Company.                              | ✓   |   |  |  |     |    |    |   |   |  |    |   |   |  |    |   |   |  |    |   |   |  |    |  |   |  |    |  |   |  |    |  |   |  |  |

| Items evaluated | Operation situation(Note) |    |  | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |
|-----------------|---------------------------|----|--|--|
|                 | YES                       | NO | Summary documentation  |  |
|                 |                           |    | 08 The CPA or the members of the Audit Service Team has relationship of spouse, direct kinship, direct affinity or sub blood kinship within two degree with the personnel who are appointed as the director or manager of the Company or take up the post that shows material influence on the audit case. | ✓  |
|                 |                           |    | 09 A former partner of CPA doesn't serve as the director or manager of the Company or take up the post that shows material influence on the audit case within one year of the disappointment.  | ✓  |
|                 |                           |    | 10 The CPA or the members of the Audit Service Team doesn't accept valuable gifts or preferential treatment from the Company, the director, manager, or major stockholder.   | ✓  |
|                 |                           |    | 11 The CPA is not employed by the client or the audit subject to take up a regular post with fixed payment or is appointed as director or supervisor.  | ✓  |
|                 |                           |    | 12 Publically listed companies:<br>The CPA doesn't provide audit service for the Company for 7 consecutive years.  | ✓  |
|                 |                           |    | <b>II. Review of independence operation</b>  |  |
|                 |                           |    | 01 The CPA shall avoid and shall not accept the engagement when s/he may have involved in any direct or material indirect interests which may impair their impartiality and independence.  | ✓  |
|                 |                           |    | 02 The CPA shall maintain Independence of Mind and in Appearance in the work of assurance services including an audit or review of financial statements, or a special audit case.  | ✓  |
|                 |                           |    | 03 The members of audit team, the CPA partners or shareholders of corporate accounting firms, accounting firms, and any of affiliates, and network firms, must be always independence with the Company.  | ✓  |
|                 |                           |    | 04 The CPA shall provide professional service based on straightforward and prudent attitude.   | ✓  |

| Items evaluated   | Operation situation(Note)   |    |  | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |  |   |  |    |   |   |  |                                  |  |  |  |    |  |   |  |    |   |   |  |    |   |   |  |    |   |   |  |  |
|---|---|----|--|--|--|---|--|----|---|---|--|----------------------------------|--|--|--|----|--|---|--|----|---|---|--|----|---|---|--|----|---|---|--|--|
|   | YES   | NO | Summary documentation  |  |  |   |  |    |   |   |  |                                  |  |  |  |    |  |   |  |    |   |   |  |    |   |   |  |    |   |   |  |  |
|   |   |    | <table border="1"> <tr> <td>05</td> <td>When providing professional service, the CPA shall be unbiased and objective, and avoid bias, conflict of interest or stakes to override professional or business judgments.</td> <td>✓</td> <td></td> </tr> <tr> <td>06</td> <td>The CPA shall be always honest, unbiased and objective which shall not be influenced due to the lack of independence.</td> <td>✓</td> <td></td> </tr> <tr> <td colspan="4"><b>III. Review of competence</b></td> </tr> <tr> <td>01</td> <td>The CPA has no disciplinary records of the Disciplinary Commission of the CPA in the last two years.</td> <td>✓</td> <td></td> </tr> <tr> <td>02</td> <td>The Accounting Firm has adequate scale, resources and coverage for handling enterprise audit service.</td> <td>✓</td> <td></td> </tr> <tr> <td>03</td> <td>The Accounting Firm has clear quality control procedure, which shall cover the levels and key points of audit procedures, the method of handling audit issues and judgment, independent quality control review and risk management.</td> <td>✓</td> <td></td> </tr> <tr> <td>04</td> <td>The Accounting Firm shall timely notify the Board (the Audit Committee) of the significant issues and development in terms of the risk management, corporate governance, financial &amp; accounting and the related risk control.</td> <td>✓</td> <td></td> </tr> </table> | 05   | When providing professional service, the CPA shall be unbiased and objective, and avoid bias, conflict of interest or stakes to override professional or business judgments. | ✓ |  | 06 | The CPA shall be always honest, unbiased and objective which shall not be influenced due to the lack of independence. | ✓ |  | <b>III. Review of competence</b> |  |  |  | 01 | The CPA has no disciplinary records of the Disciplinary Commission of the CPA in the last two years. | ✓ |  | 02 | The Accounting Firm has adequate scale, resources and coverage for handling enterprise audit service. | ✓ |  | 03 | The Accounting Firm has clear quality control procedure, which shall cover the levels and key points of audit procedures, the method of handling audit issues and judgment, independent quality control review and risk management. | ✓ |  | 04 | The Accounting Firm shall timely notify the Board (the Audit Committee) of the significant issues and development in terms of the risk management, corporate governance, financial & accounting and the related risk control. | ✓ |  |  |
| 05  | When providing professional service, the CPA shall be unbiased and objective, and avoid bias, conflict of interest or stakes to override professional or business judgments.  | ✓  |  |  |  |   |  |    |   |   |  |                                  |  |  |  |    |  |   |  |    |   |   |  |    |   |   |  |    |   |   |  |  |
| 06  | The CPA shall be always honest, unbiased and objective which shall not be influenced due to the lack of independence.   | ✓  |  |  |  |   |  |    |   |   |  |                                  |  |  |  |    |  |   |  |    |   |   |  |    |   |   |  |    |   |   |  |  |
| <b>III. Review of competence</b>  |   |    |  |  |  |   |  |    |   |   |  |                                  |  |  |  |    |  |   |  |    |   |   |  |    |   |   |  |    |   |   |  |  |
| 01  | The CPA has no disciplinary records of the Disciplinary Commission of the CPA in the last two years.  | ✓  |  |  |  |   |  |    |   |   |  |                                  |  |  |  |    |  |   |  |    |   |   |  |    |   |   |  |    |   |   |  |  |
| 02  | The Accounting Firm has adequate scale, resources and coverage for handling enterprise audit service.   | ✓  |  |  |  |   |  |    |   |   |  |                                  |  |  |  |    |  |   |  |    |   |   |  |    |   |   |  |    |   |   |  |  |
| 03  | The Accounting Firm has clear quality control procedure, which shall cover the levels and key points of audit procedures, the method of handling audit issues and judgment, independent quality control review and risk management. | ✓  |  |  |  |   |  |    |   |   |  |                                  |  |  |  |    |  |   |  |    |   |   |  |    |   |   |  |    |   |   |  |  |
| 04  | The Accounting Firm shall timely notify the Board (the Audit Committee) of the significant issues and development in terms of the risk management, corporate governance, financial & accounting and the related risk control.       | ✓  |  |  |  |   |  |    |   |   |  |                                  |  |  |  |    |  |   |  |    |   |   |  |    |   |   |  |    |   |   |  |  |
| IV. Does the publically listed company set up special (concurrent) unit or personnel responsible for the corporate governance related affairs (including not limited to providing the data required by the directors and supervisors to implement business, dealing with the matters related to the board meeting and shareholders' meeting, handling the corporate registration and change registration, making minutes of board meeting and shareholders' meeting)? | ✓   |    | <p>1. According to the discussion in the board meeting on March 23, 2017, the Financial Department is the special (concurrent) unit responsible for promoting corporate governance, which is in charge of the related affairs. At the meantime, the Chairman's Office and other departments shall provide necessary assistance to carry out the affairs related to corporate governance in practice, including:</p> <p>(1) Handle the registration of the Company and the corporate change.</p> <p>(2) Handle the affairs related to holding a board meeting and shareholders' meeting, and assist the Company comply with the laws related to the board meeting and the shareholders' meeting.</p>  | Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies                     |  |   |  |    |   |   |  |                                  |  |  |  |    |  |   |  |    |   |   |  |    |   |   |  |    |   |   |  |  |



| Items evaluated   | Operation situation(Note) |    |   | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |
|---|---------------------------|----|---|--|
|   | YES                       | NO | Summary documentation   |  |
|   |                           |    | <p>(3) Make minutes of the board meeting and the shareholders' meeting.</p> <p>(4) Providing the data required by the directors and supervisors to implement business, as well as the latest law development related to corporate operation, so as to assist the directors and supervisors in regulatory compliance.</p> <p>(5) Affairs related to investor's relationship.</p> <p>(6) Other items agreed based on the Articles of Association or the contract.</p> <p>2. The Financial Department shall work out and plan appropriate corporate systems and organizational architecture to promote the independence of the Board, the corporate transparency, and the regulatory compliance.</p> |  |
| V. Whether the company establishes the communication channel with the interested parties (including but not limited to the shareholders, employees, customers and suppliers), sets the interested party zone on the corporate website, and properly responds the enterprise social responsibility issues concerned by the interested parties? | ✓                         |    | The company sets spokesperson and agent spokesperson according to law, and properly responds issues concerned by the interested parties. Moreover, it sets the interested party zone on the corporate website to disclose the channel information for the complaints made by others rather than the investors. Also it properly responds the enterprise social responsibility issues concerned by the interested parties.   | Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies                     |
| VI. Whether the company entrusts the professional stock service agent to handle the affairs of shareholder meeting?   | ✓                         |    | The company has entrusted the professional service agent- Fubon Securities Co., Ltd to handle the shareholders' meeting affairs and various share affairs of the company.   | Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies                     |
| VII. Information disclosure<br>(I) Whether the company sets up the website, discloses the financial business and corporate governance information?  | ✓                         |    | (I) The company has set website ( <a href="http://www.chieftek.com">www.chieftek.com</a> ) to introduce the company, related financial business and corporate governance information.   | Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies                     |
| (II) Whether the company implements other forms of  | ✓                         |    | (II) The company website has Chinese, English and Japanese versions. It sets  | Meet the regulations of Corporate  |

| Items evaluated   | Operation situation(Note) |    |  | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |
|---|---------------------------|----|--|--|
|   | YES                       | NO | Summary documentation  |  |
| 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)?   |                           |    | 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.   | Governance Best Practice Principles for Listed Companies   |
| VIII. 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>(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 suggestions of shareholders 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> | Meet the regulations of Corporate Governance Best Practice Principles for Listed Companies                     |

| Items evaluated | Operation situation(Note) |    |   | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |
|-----------------|---------------------------|----|---|--|
|                 | YES                       | NO | Summary documentation   |  |
|                 |                           |    | <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. Moreover, it sets the “interested party zone” on the official website to disclose the channel and contact information for complaints made by others rather than the investors, and properly responds the enterprise social responsibility issues concerned by the interested parties.</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</p> |  |

| Items evaluated | Operation situation(Note) |    |  | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |
|-----------------|---------------------------|----|--|--|
|                 | YES                       | NO | Summary documentation  |  |
|                 |                           |    | <p>and reflecting channel, additionally, risk of the operation 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 customer policy: The company maintains a stable and good relation with clients, attaches great importance to the customer satisfaction 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 conducts 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 2016:

|                      | Name              | Sponsor                                 | Refresher course  | Study hours |
|----------------------|-------------------|---|---|-------------|
| Board Director       | CHEN LI-FEN       | Taiwan Corporate Governance Association | Director's and Supervisor's Liabilities for Financial Statement Attestation   | 3           |
|                      |                   | Taiwan Corporate Governance Association | How to Avoid Engagement in Insider Trading  | 3           |
| Board Director       | HSU MING-CHE      | Taiwan Corporate Governance Association | Director's and Supervisor's Liabilities for Financial Statement Attestation   | 3           |
|                      |                   | Taiwan Corporate Governance Association | How to Avoid Engagement in Insider Trading  | 3           |
| Board Director       | CHENG SHENG-FEN   | Taiwan Corporate Governance Association | Director's and Supervisor's Liabilities for Financial Statement Attestation   | 3           |
|                      |                   | Taiwan Corporate Governance Association | How to Avoid Engagement in Insider Trading  | 3           |
| Board Director       | WANG CHEN PI-HSIA | Taiwan Corporate Governance Association | Director's and Supervisor's Liabilities for Financial Statement Attestation   | 3           |
|                      |                   | Taiwan Corporate Governance Association | How to Avoid Engagement in Insider Trading  | 3           |
| Board Director       | Li An             | Taiwan Corporate Governance Association | Review Enterprise Merger from the Perspective of Director and Supervisor  | 3           |
|                      |                   | Taiwan Corporate Governance Association | Liabilities for Financial Statement Attestation   | 3           |
|                      |                   | Taiwan Corporate Governance Association | Risk management, internal control and information management practice   | 3           |
|                      |                   | Taiwan Corporate Governance Association | How to Communicate with the Market Effectively-Explore the Strategic Tool of Enterprise Competition, [Information Disclosure] | 3           |
| Independent Director | CHEN-SHU          | Taiwan Corporate Governance Association | Director's and Supervisor's Liabilities for Financial Statement Attestation   | 3           |
|                      |                   | Taiwan Corporate Governance Association | How to Avoid Engagement in Insider Trading  | 3           |
| Independent Director | WU CHUNG-JEN      | Taiwan Corporate Governance Association | Director's and Supervisor's Liabilities for Financial Statement Attestation   | 3           |

| Items evaluated         |               | Operation situation(Note)                         |    |   | Situation and causes of its difference with Corporate Governance Best Practice Principles for Listed Companies |
|-------------------------|---------------|---|----|---|--|
|                         |               | YES   | NO | Summary documentation   |  |
| Independent Director    | WEI NAI-CHANG | Taiwan Corporate Governance Association           |    | How to Avoid Engagement in Insider Trading                                  | 3  |
|                         |               | Taiwan Corporate Governance Association           |    | Director's and Supervisor's Liabilities for Financial Statement Attestation | 3  |
|                         |               | Taiwan Corporate Governance Association           |    | How to Avoid Engagement in Insider Trading                                  | 3  |
| Supervisor              | KUANG HSI-HUI | Taiwan Corporate Governance Association           |    | Director's and Supervisor's Liabilities for Financial Statement Attestation | 3  |
|                         |               | Taiwan Corporate Governance Association           |    | How to Avoid Engagement in Insider Trading                                  | 3  |
| Supervisor              | LI MEI        | Taiwan Corporate Governance Association           |    | Director's and Supervisor's Liabilities for Financial Statement Attestation | 3  |
|                         |               | Taiwan Corporate Governance Association           |    | How to Avoid Engagement in Insider Trading                                  | 3  |
| Supervisor              | TSENG HSU-WEN | Taiwan Corporate Governance Association           |    | Director's and Supervisor's Liabilities for Financial Statement Attestation | 3  |
|                         |               | Taiwan Corporate Governance Association           |    | How to Avoid Engagement in Insider Trading                                  | 3  |
| Chief Financial Officer | LI PAI-TSANG  | Taiwan Corporate Governance Association           |    | Director's and Supervisor's Liabilities for Financial Statement Attestation | 3  |
|                         |               | Taiwan Corporate Governance Association           |    | How to Avoid Engagement in Insider Trading                                  | 3  |
|                         |               | National Cheng Kung University                    |    | Further Study Program for Accounting Chief                                  | 12   |
|                         |               | Financial Supervisory Commission                  |    | The 11th Taipei Corporate Governance Forum                                  | 6  |
| Audit Manager           | ZHENG XIU-YUE | Taiwan Corporate Governance Association           |    | Director's and Supervisor's Liabilities for Financial Statement Attestation | 3  |
|                         |               | Taiwan Corporate Governance Association           |    | How to Avoid Engagement in Insider Trading                                  | 3  |
|                         |               | The Institute of Internal Auditors-Chinese Taiwan |    | Internal Audit Communication, Thinking and Problem-Solving Skills           | 6  |
|                         |               | The Institute of Internal Auditors-Chinese Taiwan |    | Self-evaluation Practice  | 6  |

IX. Detail the improvement based on the corporate governance assessment result announced by the TWSE Corporate Governance Center in the latest year; propose the urgent matters and actions for the items not improved.

According to the 3rd corporate governance assessment result announced by the TWSE Corporate Governance Center in the latest year, the Company was ranked the top 20% for the first time, and the score obtained as much higher than that of the previous year. It won the "Improvement Award" for encouragement. It implies the efforts made by the Company in the field of corporate governance. Moreover, it has not been informed of any new item and action to the improved or takes the priority for enhancement.

In addition, the Company has been working on how to improve the assessment indicators without score, so as to improve the corporate governance and increase the assessment score, such as:

- (1) Regarding the issues related to the establishment of "Audit Committee", the Company has amended the Articles of Association and finished the change registration procedure. In the future, it will set up the committee in proper time and put it into use as soon as possible.
- (2) Currently the election of independent directors adopts nomination system. As stipulated in the amended Articles of Association in the board meeting on May 9, 2017, it plans to submit proposal for deliberation in 2017 general meeting. Then the election of both directors and supervisors will adopt nomination system.
- (3) As passed in the board meeting on May 9, 2017, the Financial Department is the special (concurrent) unit responsible for the affairs related to corporate governance.
- (4) The stock dividend to be distributed according to the resolution of the general meeting shall be distributed within 30 days after the ex-dividend date. The stock dividend distribution for 2016, to cope with the date of distributing stock grants and cash dividend, was overdue after 30 days. It plans to list such item as the urgent item for improvement.

To sum up, the Company has actively made improvements and obtained achievements gradually.

(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<br>(Note 1) | Conditions<br><br>Name | Whether having work experience with over 5 years and the following professional qualifications  |   |  | Independence situations<br>(Note 2) |   |   |   |   |   |   |   | Number of independent director concurrently occupied in other public offering companies | Remark<br>(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<br>NAI-CHANG       |   |   | ✓  | ✓                                   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0   | Not Applicable     |
| Independent Director | WU<br>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. However, it doesn't apply to the independent directors who belong to the company or its parent company, or the subsidiary, or are set up based on the local laws.
- (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.

### 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 term of members: the 2nd term was from August 7, 2014 to June 5, 2017, 8 meetings (A) were held by the Compensation Committee as of May 22, 2017. 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 | 7                          | 1                         | 87.50%                                 |        |
| Committee Member | WU CHUNG-JEN  | 4                          | 4                         | 50.00%                                 |        |
| Committee Member | CHEN-SHU      | 8                          | 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, term, proposal content and resolution results of the board of directors as well as handling 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 the Compensation Committee, items like date, term, proposal content, opinions from all members and corresponding handling of the 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 & health 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<br>(I) Whether the company makes policies or systems for corporate 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. Moreover, the amendments of the <i>Code of Practice of Enterprise Social Responsibility</i> and <i>Enterprise Social Responsibility Policy</i> was passed in the board meeting held on January | Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.                       |

| 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              |   |  |         |                 |   |   |               |   |  |            |                |   |             |  |
| (II) Whether the company arranges social responsibility education and training on a regular basis?   | ✓  |                 | <p>20, 2017. Also the implementation effect of 2016 was reported on the board meeting held on March 23, 2017.</p> <p>1. The promotion plans and implementation effect of 2016 are listed as below:</p> <table border="1"> <thead> <tr> <th>Donation target</th> <th>Summary</th> <th>Donation Amount</th> </tr> </thead> <tbody> <tr> <td>Social Affairs Bureau of Tainan City Government</td> <td>Donation for victims of earthquake in Tainan on February 06, 2016</td> <td>NT\$2,000,000</td> </tr> <tr> <td>Tainan Traditional Chinese Culture College Foundation</td> <td>Sponsorship for the 2016 Happy and Classic Life Experience Summer Camp</td> <td>NT\$30,000</td> </tr> <tr> <td>Formosa Ballet</td> <td>Sponsorship for the 2016 public performance of Formosa Ballet</td> <td>NT\$100,000</td> </tr> </tbody> </table> <p>2. Organized the "I Ching Culture and the Living Art Camp" with the traditional culture foundation of Tuanan Guoxue College.</p> | Donation target  | Summary | Donation Amount | Social Affairs Bureau of Tainan City Government | Donation for victims of earthquake in Tainan on February 06, 2016 | NT\$2,000,000 | Tainan Traditional Chinese Culture College Foundation | Sponsorship for the 2016 Happy and Classic Life Experience Summer Camp | NT\$30,000 | Formosa Ballet | Sponsorship for the 2016 public performance of Formosa Ballet | NT\$100,000 | Comply with the code of practice of social responsibility of listed and OTC companies and enterprises. |
| Donation target  | Summary  | Donation Amount |   |  |         |                 |   |   |               |   |  |            |                |   |             |  |
| Social Affairs Bureau of Tainan City Government  | Donation for victims of earthquake in Tainan on February 06, 2016      | NT\$2,000,000   |   |  |         |                 |   |   |               |   |  |            |                |   |             |  |
| Tainan Traditional Chinese Culture College Foundation  | Sponsorship for the 2016 Happy and Classic Life Experience Summer Camp | NT\$30,000      |   |  |         |                 |   |   |               |   |  |            |                |   |             |  |
| Formosa Ballet   | Sponsorship for the 2016 public performance of Formosa Ballet          | NT\$100,000     |   |  |         |                 |   |   |               |   |  |            |                |   |             |  |
| (III) Whether the company has special (concurrent) unit to promote corporate social responsibility, which is managed by top management under authorization from board of directors, and to report to board of directors? | ✓  |                 | <p>(II) It is explained as below:</p> <ol style="list-style-type: none"> <li>The company shall arrange internal social responsibility education and training regularly and explain environmental safety and health courses, developing direction of the company, operation principle and relevant policies as well as the idea of corporate social responsibility.</li> <li>Arrange further-study courses for directors and supervisors according to <i>Practicable Main Points of Refresher Courses for Directors and Supervisors of Listed and OTC Companies</i>.</li> </ol> <p>(III) On May 9, 2014, the board of directors approved that the Chairman's Office should act as the unit in charge of promoting corporate social responsibility.</p> <ol style="list-style-type: none"> <li>The Chairman acts as the convener, and the CSR promotion team is</li> </ol>  | Comply with the code of practice of social responsibility of listed and OTC  |         |                 |   |   |               |   |  |            |                |   |             |  |



| 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 |   |  |
| (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>composed of the Financial Department, Business Department, Purchasing Department and the Occupational Safety Department, which holds meeting regularly. It is responsible for the promotion of the corporate social responsibilities.</p> <p>2. The team CSR promotion team sorts and reports the 2016 implementation effect and the opinions put forward by the interested parties in the board meeting held on March 23, 2017.</p> <p>3. It communicates with trade association in Science Park, promotes prosperity of Chinese traditional culture and cares 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 &amp; mental communication and supplemented by professional interaction; teaching colleagues in the company to overcome evil with good &amp; kindheartedness and build an ideal realm of life of “happiness and harmony”;</p> | companies and enterprises.   |
|  |                     |    | <p>(IV) Related measures are taken as follows:</p> <p>1. The major remuneration principle of the company takes department responsibility and performance &amp; result into account, hoping to recruiting and retaining talents by making reasonable remuneration policy.</p> <p>2. The code of conduct and related reward and punishment system are clearly incorporated into employee manual of the Company.</p> <p>3. The Compensation Committee set by the Company consists of three</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  |  |
|  |                     |    | 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. Following the operation dynamic, it constantly improves the integration of above systems and the corporate social responsibility policies, so as to sharpen the competitive edge of the company at each stage. |  |
| II. Develop sustainable environment<br>(I) Whether the company is dedicated to improving utilization efficiency of various resources and making use of renewable materials with low environmental load impact? | ✓                   |    | (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.   | Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.                       |
| (II) Whether the company establishes applicable environmental management system based on its industrial characteristics?   | ✓                   |    | (II)<br>1. The Occupational Safety Department of the company shall take charge of environmental management, establishing and controlling environmental management system, setting up safety and health committee and jointly dealing with environmental safety problems.<br>2. Besides observing environmental laws earnestly, the Company passed ISO14001 environmental management system, OHSAS 18001 occupational safety and health management system and CNS15506 Taiwan occupational safety and health management system in September, 2014.   | 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   |  |
| (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? | ✓                   |    | <p>(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 &amp; heat dissipation based on energy saving and carbon reduction during factory design.</p> <ol style="list-style-type: none"> <li>1. Energy saving target<br/>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.</li> <li>2. Energy saving measures<br/>This year, the Company laid emphasis on decreasing the air pressure of the entire plant to the reasonable value. Plus the reduction of line loss consumption, it expects to achieve the energy-saving goal of lower power loss by increasing the power utilization efficiency.<br/>At first, the output pressure of the air compressor is reduced from 7.5kg/cm<sup>2</sup> to 6.5kg/cm<sup>2</sup>. The power consumption before adjustment is 56,661KWH/month, which 29,748KWH/ month after adjustment, saving the power by 26,913kWh. The HV capacitor is changed, so the power factor is increased from 0.93 to 0.99. Based on the line loss reduced by 81,084 kWh, it is estimated to save power as much as 4.629% kWh this year.</li> <li>3. Carbon reduction target<br/>The data provided by the Bureau of Energy, Ministry of Economic Affairs, shows that 0.638kg of CO<sub>2</sub> is produced for 1KWh this year. A total of 107,997 kWh is reduced, so it is predicted that 68,902.09kg of CO<sub>2</sub> shall be reduced this year.</li> <li>4. Greenhouse gas emission<br/>For greenhouse gas emitted by the company, its indirect emission source stems mainly from outsourced power, which is 7,155MWh, 6,894MWh,</li> </ol> | 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>6,970MWh and 6,866.8MWh respectively between 2013 and 2016. The total emissions of greenhouse gases of the company was about 4,564.89mt of CO2e/year in 2013, while that in 2014, 2015 and 2016 was roughly 4,398.372mt CO2e/year, 4,447.111mt CO2e/year and 4,381.018mt 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 &amp; resource efficiency, energy saving and environmental protection.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Total Power Consumption (KWh)</td> <td>7,155,000</td> <td>6,894,000</td> <td>6,970,393</td> <td>6,866,800</td> </tr> <tr> <td>CO2 Emissions (mt)</td> <td>4,564.89</td> <td>4,398.372</td> <td>4,447.111</td> <td>4,381,018</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   | 2013 | 2014 | 2015 | 2016 | Total Power Consumption (KWh) | 7,155,000 | 6,894,000 | 6,970,393 | 6,866,800 | CO2 Emissions (mt) | 4,564.89 | 4,398.372 | 4,447.111 | 4,381,018 |  |
| Year   | 2013                | 2014      | 2015  | 2016   |      |      |      |      |                               |           |           |           |           |                    |          |           |           |           |  |
| Total Power Consumption (KWh)  | 7,155,000           | 6,894,000 | 6,970,393   | 6,866,800  |      |      |      |      |                               |           |           |           |           |                    |          |           |           |           |  |
| CO2 Emissions (mt)   | 4,564.89            | 4,398.372 | 4,447.111   | 4,381,018  |      |      |      |      |                               |           |           |           |           |                    |          |           |           |           |  |
| <p>III. Maintaining social welfare<br/>(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 decrees, which are in the charge of specially-assigned personnel, 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 set aside retirement pension and set up 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.<br/>What's more, the company shall make announcement and launch an advocacy in the factory to cope with changes in</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 employee complaint mechanism and channel and makes a settlement properly?                               | ✓  |    | decrees.<br><br>(II) In a bid to realize friendly communication between the employees and the company, complaint mechanism and communication channel have been established as follows:<br>1. Tangible suggestion boxes are set on the first floor and in dining hall of the factory.<br>2. Special E-mail service is offered to senior executives, HR department, department heads and leaders of all units.<br>3. Communication meetings associated with labor-management relations are held.<br>4. Questionnaire survey is conducted irregularly.<br>5. Formulate and advocate code of conduct, integrity management, safety & health and practice of enterprise social responsibility.   | Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.                       |          |                |  |   |  |  |
| (III) Whether the company creates a safe and healthy working environment and implements safety and health education for employees regularly? | ✓  |    | (III) The company shall set up Labor Safety and Health Committee as per labor safety and health law, convene labor safety and health meeting regularly, persistently assist the factory in completing various tasks related to environmental safety and health to make sure the safety and health of working environment.<br>Explanation of only relevant items is made below:<br><table border="1" data-bbox="735 1592 1294 2072"> <thead> <tr> <th>Items</th> <th>Contents</th> </tr> </thead> <tbody> <tr> <td>Entrance Guard</td> <td>1. Strict entrance guard monitoring system is set up in the daytime and nighttime.<br/>2. Connect with police organs online to take precaution.</td> </tr> <tr> <td>Maintenance and Inspection of Various Equipment</td> <td>1. In accordance with buildings public safety inspection and visa &amp; declaration regulations, entrust specialized company to carry out public safety inspection every year or every four years.<br/>2. According to fire protection law, conduct fire safety inspection by</td> </tr> </tbody> </table> | Items  | Contents | Entrance Guard | 1. Strict entrance guard monitoring system is set up in the daytime and nighttime.<br>2. Connect with police organs online to take precaution. | Maintenance and Inspection of Various Equipment | 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.<br>2. According to fire protection law, conduct fire safety inspection by | Comply with the code of practice of social responsibility of listed and OTC companies and enterprises. |
| Items  | Contents   |    |   |  |          |                |  |   |  |  |
| Entrance Guard   | 1. Strict entrance guard monitoring system is set up in the daytime and nighttime.<br>2. Connect with police organs online to take precaution.   |    |   |  |          |                |  |   |  |  |
| Maintenance and Inspection of Various Equipment  | 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.<br>2. According to fire protection law, conduct fire safety inspection by |    |   |  |          |                |  |   |  |  |

| 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>outsourcing every year.</p> <p>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 Health in the company.</p>   |  |
|                  |                     |    | <p>Contingency Measures for Disaster Prevention</p> <p>1. Develop emergency preparedness and response procedure, emergency response plan, Code of Practice of Labor Safety and Health, accident investigation and management procedure together with other disaster prevention, rescue precautions and accident &amp; 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.</p> <p>2. Entrust fire competent authority to carry out fire control &amp; disaster prevention training.</p> |  |
|                  |                     |    | <p>Physiological Health</p> <p>1. Perform periodic health examination on a yearly basis in accordance with Occupational Safety and Health Law.</p> <p>2. Health 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</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 |  |  |
|                  |                     |    | <p>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 Health Law.</p> <p>2. Set contractor management procedure and provide related forms for contractor applying and filling out.</p> <p>Educational Training</p> <p>Implement pertinent safety &amp; health educational training, such as the general safety &amp; health educational training and hazardous chemical manufacturing, disposal and using educational training and add safety and health trainings 3h before operation of manufacturing machine or equipment, aerial working vehicle, winch and electric welding as well as working in oxygen deficient environment in accordance with Occupational Safety and Health Law.</p> <p>Healthy and safe working environment<br/>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:<br/>1. ISO 14001/OHSAS 18001/CNS 15506 environmental safety and health management system: set up a management system to evaluate performance and efficiency of environmental and occupational safety &amp; health and enhance environmental</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  |  |
|                  |                     |    | <p>safety &amp; health, thus guaranteeing personal safety of employees.</p> <p>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 health risks that may facilitate the planning, management and implementation of environmental and occupational safety and health.</p> <p>3. Establish unified regulations for hazardous labeling 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.</p> <p>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.</p> <p>5. Raise contingency ability of employees under emergency circumstances and define correct handling procedure to make sure personal safety and normal operation of the company in the hope of minimizing loss in case of accident.</p> <p>6. Check the fire apparatuses on a regular basis to reduce the losses after accident occurrence and guarantee personal safety of employees.</p> <p>7. Lay down <i>Code of Practice of Safety and Health</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 health Personnel</i> to take charge of planning and advancing environmental safety and health policies and management system of the company and checking their performance. Train</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? | ✓                   |    | <p>occupational safety personnel for occupational safety, including A Grade occupational safety and health manager, B Grade occupational safety and health specialist, A Grade occupational safety and health executive, first-aid personnel and fire controller, to strengthen environmental safety and health 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 meet the requirements.</p> <p>11. Regular inspection, key inspection and work 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> <p>12. Field inspection: conduct regular or irregular inspection for in-plant safety and health to eliminate actual or potential hazards and risks.</p> <p>(IV) In order to achieve all-around communication between employee and the Company, the Company shall convene meetings with regard to labor-management relations regularly, set up tangible suggestion boxes and bulletin board in the factory and provide special E-mail service for senior officers, department heads and leaders of all units as the media publishing significant information.</p> | Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.                       |
| (V) Whether the company develops efficient career capability development training plan?   | ✓                   |    | <p>(V) The company has been committed to creating a learning environment providing endless talent force and</p>   | Comply with the code of practice of  |

| 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? | ✓                   |    | <p>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 &amp; management and traditional culture, professional training, training for employees dispatched to foreign subsidiaries, internship training for international exchange.</p> <p>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 total number of participants being 17,786.</p> | social responsibility of listed and OTC companies and enterprises.   |
|  |                     |    | (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  | 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  |  |
| (VII) Whether the company observes relevant regulations and international standards for product and service marketing and marking?  | ✓                   |    | understand demands and problems of customers and take the above investigation results as basis of developing improvement strategy.<br><br>(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 suppliers fail to perform its enterprise social responsibility and has significant impact on environment and society? | ✓                   |    | (IX) In accordance with contract between the company and key suppliers, the suppliers and contractors must comply with labor standard act and relevant 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.   | Comply with the code of practice of social responsibility of listed and OTC companies and enterprises.                       |
| IV. Strengthen information disclosure<br>(I) Whether the company disclose relevant reliable information   | ✓                   |    | (I) The company has been adhering to information disclosure and transparency  | Comply with the code of  |

| 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   |  |
| concerned with enterprise social responsibility at its website and information disclosure observation station ?   |                     |    | 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. | practice of social responsibility of listed and OTC companies and enterprises.   |
| <p>V. In case the Company lays down the Code of Practice of Corporate 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:</p> <p>The company laid down the <i>Code of Practice of Corporate 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 in the board meeting on May 9, 2014</i>. The amended version was passed in the board meeting on January 20, 2017. The operation of the corporate social responsibility is subject to the connotation and related regulations of the Code, which will be carried out continuously.</p> |                     |    |  |  |
| <p>VI. Other important information conducive to understanding the operation of the corporate social responsibility:</p> <p>In terms of participation in social activities and social contribution, the company actively cooperates with various universities and colleges in Tainan (such as National Cheng Kung University (NCKU), Southern Taiwan University of Technology (STUST), Kunshan University, Far East University and Nan Jeon Institute of Technology) to provide opportunity of observation learning and internship and enhance industry-university collaboration, with the aim to accelerate the regional prosperity and bring more employment opportunities. In addition, the Company also cooperates with communities to establish prize for moral excellence and provide financial aid for students in community colleges.</p>            |                     |    |  |  |
| <p>VII. If the enterprise social responsibility report of the company passes the verification standards of related certification authorities, please make a description:</p> <p>(I) The company's product has passed ISO9001: 2008 certification.</p> <p>(II) In September, 2014, the company passed ISO14001 environmental management system, OHSAS 18001 occupational safety and health management system and CNS15506 Taiwan occupational safety and health management system.</p>   |                     |    |  |  |

(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 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. | 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? | ✓                   |    | (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.<br>The prevention scheme formulated by this company covers the prevention measures for the following behaviors:<br>I. Offer bribes and accept bribes.<br>II. Provide illegal political contributions.<br>III. Improper charitable donation or sponsorship.<br>IV. Provide or accept unreasonable gift, hospitality or other improper benefits. | Conform to the provisions of code of faithful management of the listed and over-the-counter companies.       |
| II. Implementation of faithful management<br>(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?   | ✓                   |    | (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.   | Conform to the provisions of code of faithful management of the listed and over-the-counter companies.       |
| (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’s Office through the board of directors as a special responsible unit:<br>1. It handles the revision, implementation, interpretation, consultation service, reporting content registration document and  | 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 formulate the policy of preventing conflict of interest, provide the proper statement channel, and carry out the implementation?   | ✓                   |    | <p>other relevant operation, will supervise its performance and regularly report to the Board of Directors.</p> <p>2. It continuously conducts related training courses covering food safety, law safety and asset safety to practice business integrity.</p> <p>(III) To prevent the conflict of interests and provide appropriate statement channels, 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 himself or his represented entity, 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.</p>   | 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? | ✓                   |    | <p>(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</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   |  |
| (V) Does the company hold the internal, external education training of faithful management regularly?  | ✓                   |    | for the board of directors and general manager to assess the effectiveness of the overall internal control system and issue the statement of internal control system.<br><br>(V) In addition to regularly holding the internal education training of business integrity, 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<br>(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   | 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?  | ✓                   |    | <p>strictly confidential. For severe violation of this company's personnel of honest behavior, it shall be handled according to the 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</p> <p>(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.</p>  | Conform to the provisions of code of faithful management of the listed and over-the-counter companies.       |
| <p>IV. Strengthening the disclosure of information</p> <p>(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?</p>  | ✓                   |    | <p>(I) The amended Business Integrity Operation Procedure and Code of Conduct was passed upon the resolution of the board meeting on March 26, 2015. Moreover, the information related to business integrity is disclosed under the Investor Relations on the official site of the Company.</p> <p>(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.</p> | 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><b>Prohibition of dishonest behavior</b></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><b>Faithful management of commercial activity</b></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>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><b>Prohibition of offering bribes or accepting bribes</b><br/>When performing the business, it shall not directly or indirectly provide, promise, request or accept the illegitimate interests of any forms.</p> <p><b>Prohibition of providing political illegal contributions</b><br/>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><b>Prohibition of improper charitable donation or sponsorship</b><br/>It shall conform to the relevant laws and internal operation procedures, instead of disguised bribery.<br/>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><b>Accounting and internal control</b><br/>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.<br/>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><b>Information disclosure</b><br/>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.)<br/>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:

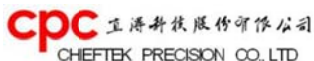
The Company has formulated the Code of Corporate Governance and relevant regulations, and has released them under the Investor's Zone, the CSR Zone on the company website (company website: <http://www.chieftek.com>) or the special zone on MOPS.

(VIII) Other important information enough to promote the understanding of operation situation of corporate governance:

This Company will disclose significant information to the investors according to laws to promote the understanding of the Company.

(IX) Internal control system performance situation

1. Internal control statement



CHIEFTEK PRECISION CO., LTD.

Date: March 23, 2017

The internal control system of this company in 2016 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 manger, 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 diving 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, the Company considers the internal control system (including the supervision and management of subsidiaries) on December 31, 2016 includes understanding the goal realization degree of effective and efficient operation, and reporting the effective design and implementation 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 23, 2017 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

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. In the year of 2016 and by the date of printing the 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) In the latest year and by the date of printing the annual report,, important resolutions of the board of shareholders and the board of directors:

1. Important resolution content and implementation situation of the general shareholders' meeting in 2016

| Date of meeting | Important resolution   |
|-----------------|--|
| June 16, 2016   | (1) Pass and approve 2015 business report and financial statement.<br>(2) Pass and approve 2015 surplus distribution plan.<br>Implementation situation:<br>a. The capital increase out of earnings is approved by the Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 07, 2016 in the NS Zi No. of 1050023001.<br>b. Specify August 31, 2016 as the ex-dividend base date, and October 6, 2016 as the payment date (NT\$0.5 distributed as cash dividend for each share and 50 shares distributed as stock dividend for every 1,000 shares), which is the same with the resolution of the general shareholders' meeting .<br>(3) Pass the revision of some clauses of "Articles of Association".<br>Implementation situation: Approved by NS Zi No. 1050015418 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 June 23, 2016, and announced on the company website.<br>(4) Pass the proposal of director supplemented election.<br>List of elected director: Ms. LI AN<br>Implementation situation: Approved by NS Zi No. 1050015418 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 June 23, 2016, and announced on the company website. |

2. Important resolution of the board of directors

| Meeting name  | Meeting date     | Important resolution   |
|---------------|------------------|--|
| Board meeting | January 29, 2016 | (1) Pass the 2015 year-end bonus distribution for the managers reviewed by the compensation committee.<br>(2) Pass the modification of articles of association about the employee bonus and director, supervisor compensation reviewed by the compensation committee.<br>(3) Pass the independent assessment of this company's CPA.<br>(4) Pass the increase of reinvestment.<br>(5) Pass the application for financing limit to the bank. |

| Meeting name  | Meeting date      | Important resolution   |
|---------------|-------------------|--|
| Board meeting | March 17, 2016    | <ul style="list-style-type: none"> <li>(1) Pass the 2015 year-end bonus distribution for the directors, supervisors and employees reviewed by the compensation committee.</li> <li>(2) Pass the 2015 business report and financial report.</li> <li>(3) Pass the 2015 surplus distribution plan.</li> <li>(4) Pass the proposal of capital increase of by transferring of surplus and issuance of new shares in 2015.</li> <li>(5) Pass the 2015 “Internal Control System Statement”.</li> <li>(6) Pass the proposal of supplemented election of directors.</li> <li>(7) Pass the proposal of convening 2016 general shareholders’ meeting of this company.</li> <li>(8) Pass the 2016 budget proposal of this company.</li> <li>(9) Pass the proposal of endorsement and guarantee for reinvestment in subsidiaries.</li> <li>(10) Pass the signing of joint development contract.</li> <li>(11) Pass the adjustment of drawing policy of this company’s allowance for inventory valuation losses.</li> <li>(12) Pass the application for financing limit to the bank.</li> </ul> |
| Board meeting | May 5, 2016       | <ul style="list-style-type: none"> <li>(1) Pass the increase of endorsement and guarantee for reinvestment in subsidiaries.</li> <li>(2) Pass the application for financing limit to the bank.</li> </ul>  |
| Board meeting | August 10, 2016   | <ul style="list-style-type: none"> <li>(1) Pass the 2015 annual bonus distribution by managers for the employees reviewed by the compensation committee.</li> <li>(2) Pass the 2015 annual bonus distribution for the directors and supervisors reviewed by the compensation committee.</li> <li>(3) Settle the ex-dividend date and record date for capital increase, as well as the related affairs.</li> <li>(4) Pass the proposal of plant construction on the land of Tree Valley Park</li> <li>(5) Pass the proposal of changing purpose for the land of Tree Valley Park.</li> <li>(6) Pass the proposal of application for financing limit to the bank and providing endorsement and guarantee for subsidiaries.</li> <li>(7) Pass the application for financing limit to the bank.</li> </ul>   |
| Board meeting | November 08, 2016 | <ul style="list-style-type: none"> <li>(1) Pass the proposal of 2017 Annual Audit Plan.</li> <li>(2) Pass the proposal of changing indirect investment for Chieftek Precision USA Co., LTD into direct investment.</li> <li>(3) Pass the application for financing limit to the bank.</li> </ul>   |
| Board meeting | January 20, 2017  | <ul style="list-style-type: none"> <li>(1) Pass the 2016 year-end bonus distribution for the managers reviewed by the compensation committee.</li> <li>(2) Pass the amendments of Code of Practice for Corporate Governance, Code of Practice for CSR, Professional Accounting Judgment Procedure, Accounting Policy and Estimate Change Procedure.</li> <li>(3) Pass the proposal of changing CPA and CPA’s independence assessment.</li> <li>(4) Pass the proposal of cancelling indirect investment for Chieftek Precision USA Co., LTD and changing into direct investment.</li> <li>(5) Pass the proposal of cancelling endorsement and guarantee for subsidiaries.</li> <li>(6) Pass the application for financing limit to the bank.</li> </ul>   |

| Meeting name  | Meeting date   | Important resolution   |
|---------------|----------------|--|
| Board meeting | March 23, 2017 | (1) Pass the 2016 annual bonus distribution for the directors, supervisors and employees reviewed by the compensation committee.<br>(2) Pass the 2016 business report and financial report.<br>(3) Pass the 2016 surplus distribution plan.<br>(4) Pass the 2016 "Internal Control System Statement".<br>(5) Pass the amendments of "Procedures for Acquisition or Disposal of Assets".<br>(6) Pass the proposal of re-electing directors and supervisors.<br>(7) Pass the proposal of relief of directors from non-competition restrictions.<br>(8) Pass the proposal of convening 2016 general shareholders' meeting of this company.<br>(9) Pass the 2017 budget proposal of this company.<br>(10) Pass the proposal of setting up special (concurrent) unit for corporate governance.<br>(11) Pass the proposal of increase of endorsement and guarantee for reinvestment in subsidiaries.<br>(12) Pass the application for financing limit to the bank. |
| Board meeting | May 09, 2017   | (1) Pass the proposal of changing official vehicles for Chairman and General Manager.<br>(2) Pass the proposal of reviewing candidates of independent directors according to laws.<br>(3) Pass the amendments of Articles of Associations.<br>(4) Pass the proposal of adding reason for convening 2017 general shareholders' meeting.<br>(5) Pass the adjustment of schedule for Project of Plant Construction on the Land of Tree Valley Park and the budget proposal.<br>(6) Pass the increase of endorsement and guarantee for reinvestment in subsidiaries.<br>(7) Pass the proposal of entrusting E.SUN Bank as the arranger to organize the syndicated loan bank club, and applying the loan with the total amount of NT\$1 billion granted by the syndicated loan bank club.<br>(8) 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: None.

#### IV. Information of the accountant's public expense

| Name of accounting firm       | Name of accountant |              | Check period | Remarks   |
|-------------------------------|--------------------|--------------|--------------|---|
| PricewaterhouseCoopers Taiwan | LIN TZU-SHU        | LIU TZU-MENG | 2016         |   |
| PricewaterhouseCoopers Taiwan | LIN YUNG-CHIH      | LIN TZU-SHU  | 2017         | Cooperate with the internal organization adjustment of PricewaterhouseCoopers Taiwan. |

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

| Item of public expense |  | Audit public expense | Non-audit public expense | Total |
|------------------------|--|----------------------|--------------------------|-------|
| Amount class interval  |  |                      |                          |       |
| 1                      | Below NT\$2,000 thousand                       | -                    | 363                      | 363   |
| 2                      | NT\$2,000 thousand (included) ~ 4,000 thousand | 3,250                | -                        | 3,250 |
| 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                  |  | 3,250                | 363                      | 3,613 |

(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.

Unit: NT\$ in thousand

| 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         | 3,250                | -                        | 15                                 | -              | 348    | 3,613    | January 1~ December 31, 2016   | Transfer pricing report, capital increase out of earnings 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 CPA: Please refer to IV. Audit Public Expense.**

**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              | 2016   |   | Current year to May 22                       |   |
|----------------------------|-------------------|--|---|--|---|
|                            |                   | 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       | 127,619                                      | 0   | 0  | 0   |
| Director & General manager | HSU MING-CHE      | 193,223                                      | 0   | 0  | 0   |
| Director                   | CHENG SHENG-FEN   | 17,878                                       | 0   | 0  | 0   |
| Director                   | WANG CHEN PI-HSIA | 21,445                                       | 0   | 0  | 0   |
| Director                   | LI AN             | 347,256                                      |   |  |   |
| Independent director       | CHEN-SHU          | 0  | 0   | 0  | 0   |
| Independent director       | WU CHUNG-JEN      | 1,018  | 0   | 0  | 0   |
| Independent director       | WEI NAI-CHANG     | 0  | 0   | 0  | 0   |
| Supervisor                 | KUANG HSI-HUI     | 7,825  | 0   | 0  | 0   |
| Supervisor                 | TSENG HSU-WEN     | 2,173  | 0   | 0  | 0   |
| Supervisor                 | LI MEI            | (51,718)                                     | 0   | 0  | 0   |
| Manager                    | CHEN MIN-CHANG    | 3,758  | 0   | 0  | 0   |
| Manager                    | PENG CHIUNG-YIN   | 17,663                                       | 0   | 0  | 0   |
| Financial executive        | LI PAI-TSANG      | 315  | 0   | 0  | 0   |
| Accounting supervisor      | LI PAI-TSANG      | 315  | 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. Therefore, director Ms. LI AN was elected in the board meeting on June 16, 2016.

Note 2: 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 |
|-------------------|------------------------|-------------------|---------------------|---|------------------|---------------|
| Supervisor LI MEI | Disposal (Donation)    | November 16, 2016 | YANG ZE-GONG        | Mother and son  | 74,000           | 29.55         |

(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 22, 2017

| 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                           | 4,057,701              | 6.54%              | 2,655,805                          | 4.28%              | 0                                       | 0%                 | CHEN LI-FEN  | Spouse  |        |
| CHIEFTEK PRECISION CO., LTD.           | 3,000,000              | 4.84%              | 0                                  | 0%                 | 0                                       | 0%                 | CHEN LI-FEN<br>HSU MING-CHE  | Chairman of this company<br>Director, general manager of this company |        |
| CHEN LI-FEN                            | 2,655,805              | 4.28%              | 4,057,701                          | 6.54%              | 0                                       | 0%                 | HSU MING-CHE<br>Deneng Sunshine Investment Co., Ltd.<br>Deyuan Management Consulting Co., Ltd.   | Spouse<br>Chairman of this company<br>Chairman of this company        |        |
| DAVID ENTERPRISE CO., LTD              | 2,434,747              | 3.92%              | 0                                  | 0%                 | 0                                       | 0%                 | Nil  | Nil   |        |
| DENENG SUNSHINE INVESTMENT CO., LTD    | 1,432,630              | 2.31%              | 0                                  | 0%                 | 0                                       | 0%                 | CHEN LI-FEN  | Chairman of this company  |        |
| WU PEI-FEN                             | 1,348,505              | 2.17%              | 375,445                            | 0.61%              | 0                                       | 0%                 | Nil  | Nil   |        |
| WANG CHANG-FENG                        | 1,259,267              | 2.03%              | 0                                  | 0%                 | 0                                       | 0%                 | Nil  | Nil   |        |
| DEYUAN MANAGEMENT CONSULTANTS CO., LTD | 1,046,290              | 1.69%              | 0                                  | 0%                 | 0                                       | 0%                 | CHEN LI-FEN  | Chairman of this company  |        |
| LIAN                                   | 782,030                | 1.26%              | 0                                  | 0%                 | 0                                       | 0%                 | Nil  | Nil   |        |
| CHEN JIA-HAO                           | 760,857                | 1.23%              | 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 22, 2017  
Unit: Shares; %

| Reinvestment business<br>(Noes)           | Investment of this<br>company |                               | Investment of the<br>director, supervisor,<br>manager and directly or<br>indirectly controlled<br>business |                               | Comprehensive<br>investment |                               |
|---|-------------------------------|-------------------------------|--|-------------------------------|-----------------------------|-------------------------------|
|   | Number of<br>shares           | Shareholdi<br>ng ratio<br>(%) | Number of<br>shares  | Shareholdi<br>ng ratio<br>(%) | Number of<br>shares         | Shareholdi<br>ng ratio<br>(%) |
| CHIEFTEK PRECISION<br>HOLDING CO., LTD.   | 6,760,000                     | 100.00                        | -  | -                             | 6,760,000                   | 100.00                        |
| CHIEFTEK PRECISION<br>(HONG KONG) CO.,LTD | 5,100,000                     | 100.00                        | -  | -                             | 5,100,000                   | 100.00                        |
| CHIEFTEK PRECISION<br>USA CO.,LTD         | 1,660,000                     | 100.00                        | -  | -                             | 1,660,000                   | 100.00                        |
| CHIEFTEK MACHINERY<br>(KUNSHAN) CO., LTD  | Non-joint-<br>stock system    | 100.00                        | -  | -                             | Non-joint-<br>stock system  | 100.00                        |
| cpc Europa GmbH                           | Non-joint-<br>stock system    | 100.00                        | -  | -                             | Non-joint-<br>stock system  | 100.00                        |
| CSM Maschinen GmbH                        | Non-joint-<br>stock system    | 80.00                         | -  | -                             | Non-joint-<br>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<br>NT\$2,464 thousand                       | Nil  | Note 20 |
| June 2013     | 10          | 80,000                   | 800,000 | 59,019                | 590,190 | Capital increase by transferring of surplus<br>NT\$28,104 thousand | Nil  | Note 21 |
| December 2013 | 24          | 80,000                   | 800,000 | 59,234                | 592,338 | Employee stock options<br>NT\$2,148 thousand                       | Nil  | Note 22 |
| October, 2016 | 10          | 80,000                   | 800,000 | 62,045                | 620,455 | Capital increase of<br>NT\$28,117 thousand out of earnings         | Nil  | Note 23 |

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.

Note 23: Approval of NS Zi No. 1050023001 of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 07, 2016.

## (II) Shares and capital

May 22, 2017/ Unit: Share

| Stock class  | Authorized capital stock (Note 1) |                |             | Remarks  |
|--|-----------------------------------|----------------|-------------|--|
|  | Outstanding stock                 | Unissued Stock | Total       |  |
| Registered common stock<br>(stock of over-the-counter stock) | 62,045,489                        | 57,954,511     | 120,000,000 | Limit of employee stock options 3,000,000 shares |

Note 1: On June 25, 2015, the general shareholders' meeting passed the amendments 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. 1050023001 Letter of Southern Taiwan Science Park Administration of Ministry of Science and Technology on September 7, 2016 (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 22, 2017/ Unit: Share

| Shareholder structure | Government agency | Financial institution | Other legal person | Individual | Foreign institutions and foreigners | Total      |
|-----------------------|-------------------|-----------------------|--------------------|------------|-------------------------------------|------------|
| Quantity              |                   |                       |                    |            |                                     |            |
| Number of people      | 0                 | 0                     | 21                 | 4,943      | 9                                   | 4,973      |
| Number of shares held | 0                 | 0                     | 10,265,055         | 50,398,908 | 1,381,526                           | 62,045,489 |
| Shareholding ratio    | 0.00%             | 0.00%                 | 16.54%             | 81.23%     | 2.23%                               | 100.00%    |

### (IV) Shares distribution circumstance

May 22, 2017/ Unit: Share

| Grouping of shares held | Number of shareholders | Number of shares held | Shareholding ratio |
|-------------------------|------------------------|-----------------------|--------------------|
| 1~999                   | 1,630                  | 257,510               | 0.42%              |
| 1,000~5,000             | 2,422                  | 4,899,912             | 7.89%              |
| 5,001~10,000            | 405                    | 2,953,068             | 4.76%              |
| 10,001~15,000           | 149                    | 1,796,736             | 2.89%              |
| 15,001~20,000           | 65                     | 1,133,825             | 1.83%              |
| 20,001~30,000           | 67                     | 1,605,004             | 2.59%              |
| 30,001~50,000           | 72                     | 2,826,550             | 4.56%              |
| 50,001~100,000          | 66                     | 4,575,479             | 7.37%              |
| 100,001~200,000         | 42                     | 6,014,279             | 9.69%              |
| 200,001~400,000         | 32                     | 9,606,592             | 15.48%             |
| 400,001~600,000         | 7                      | 3,502,338             | 5.65%              |
| 600,001~800,000         | 8                      | 5,639,251             | 9.09%              |
| 800,001~1,000,000       | -                      | -                     | 0.00%              |
| Above 1,000,001         | 8                      | 17,234,945            | 27.78%             |
| Total                   | 4,973                  | 62,045,489            | 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 22, 2017/ Unit: Share

| Name of major shareholders             | Stock | Number of shares held | Shareholding ratio |
|--|-------|-----------------------|--------------------|
| HSU MING-CHE                           |       | 4,057,701             | 6.54%              |
| CHIEFTEK PRECISION CO., LTD.           |       | 3,000,000             | 4.84%              |
| CHEN LI-FEN                            |       | 2,655,805             | 4.28%              |
| DAIWEI ENTERPRISE CO., LTD.            |       | 2,434,747             | 3.92%              |
| DAVID SUNSHINE INVESTMENT CO., LTD     |       | 1,432,630             | 2.31%              |
| WU PEI-FEN                             |       | 1,348,505             | 2.17%              |
| WANG CHANG-FENG                        |       | 1,259,267             | 2.03%              |
| DEYUAN MANAGEMENT CONSULTING CO., LTD. |       | 1,046,290             | 1.69%              |
| LI AN                                  |       | 782,030               | 1.26%              |
| CHEN JIA-HAO                           |       | 760,857               | 1.23%              |

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

| Item                             |   | Year                                | 2015    | 2016     | Current year to May 22, 2017 |
|----------------------------------|---|-------------------------------------|---------|----------|------------------------------|
|                                  |   | Market price of each share (Note 1) | Highest |          | 43.90                        |
| Lowest                           |   |                                     | 21.60   | 24.35    | 30.70                        |
| Average                          |   |                                     | 30.26   | 32.47    | 39.53                        |
| Net value of each share (Note 2) | Before distribution                         |                                     | 22.28   | 21.89    | 21.88                        |
|                                  | After distribution                          |                                     | 20.81   | (Note 9) | Not applicable               |
| Surplus of each share            | Weighted average number of shares           |                                     | 59,046  | 59,046   | 59,046                       |
|                                  | Surplus of each share (Note 3)              | Before adjustment                   | 1.26    | 1.45     | 0.21                         |
|                                  |   | After adjustment                    | 1.20    | (Note 9) | Not applicable               |
| Dividend of each share           | Cash dividend                               |                                     | 0.50    | (Note 9) | Not applicable               |
|                                  | Stock grants                                | Rationed shares of surplus          | -       | (Note 9) | Not applicable               |
|                                  |   | Rationed shares of capital reserve  | -       | (Note 9) | Not applicable               |
|                                  | Cumulative unpaid dividend (Note 4)         |                                     | -       | -        | -                            |
| Analysis of investment reward    | Price-earning ratio(Note 5)                 |                                     | 25.72   | 20.76    | 42.01                        |
|                                  | Price-dividend ratio (Note 6)               |                                     | 64.81   | 60.20    | Not applicable               |
|                                  | Yield to maturity of cash dividend (Note 7) |                                     | 1.54%   | 1.66%    | 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: 2016 surplus distribution plan has not been passed by 2017 general shareholders' meeting.

(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:

- (1) Pay duties and taxes.
- (2) Cover the deficit.
- (3) Withdraw 10% as the statutory surplus reserve.
- (4) If necessary, withdraw or transfer back the special surplus reserve in accordance with the provisions of laws or competent authorities.
- (5) For the balance after deduction of the amount withdrawn from the above four items, as well as the undistributed surplus of the previous years, the board of directors shall draft a distribution proposal, and submit it to the shareholders' meeting 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 above paragraph 1~4.

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. Implementation situation:

This company's 2016 surplus distribution plan had been passed by the resolution of the board of directors on March 23, 2017. Please refer to the following table for 2016 surplus distribution table.

CHIEFTEK PRECISION CO., LTD.  
Surplus distribution table  
2016

Unit: NT\$ in dollars

| Item  | Amount       |                     |
|---|--------------|---------------------|
|   | Subtotal     | Total               |
| Undistributed surplus balance at the beginning of the period      |              | \$ 249,522,767      |
| Decrease: Actuarial losses of defined benefit plans               |              | <u>(751,241)</u>    |
| Reserved surplus at the beginning of the period after adjustment  |              | 248,771,526         |
| Distributable surplus available of this year                      |              |                     |
| Current net income after tax                                      | 85,582,540   |                     |
| Decrease: Drawing of 10% statutory surplus reserve                | ( 8,558,254) |                     |
| Decrease: Drawing of special surplus reserve                      | ( 5,927,573) |                     |
| Distributable surplus of this year                                |              | <u>71,096,713</u>   |
| Cumulative distributable surplus                                  |              | 319,868,239         |
| Listed allotment of this year                                     |              |                     |
| Shareholder dividend-Cash (distribution of NT\$ 1 for each share) | (59,045,489) |                     |
| Subtotal of distributed amount                                    |              | <u>(59,045,489)</u> |
| Undistributed surplus balance                                     |              | \$ 260,822,750      |

Notes:

1. The surplus distribution for this time will give priority to distribution of 2016 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 2016 surplus distribution plan on March 23, 2017. The Company didn't issue stock grants this time, so it is inapplicable.

(IX) Remuneration of employees, directors and supervisors:

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

According to the 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 include the employees of the affiliates that meet certain conditions. These certain condition should be formulated by the board of directors.

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 March 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/loss of 2017. 2016 EPS has fully reflected the effects of employee bonus, remuneration of directors, supervisors on profit-making, thus this will not affect the estimated calculation of EPS.

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\$8,975,293, and the remuneration amount of directors, supervisors of NT\$3,365,735 through the resolution of the board of directors on March 23, 2017. Such remuneration should be distributed in cash. However, the estimated amount listed on the account book was NT\$9,006,148 for the employee bonus and NT\$3,377,306 for the remuneration of directors and supervisors respectively, which was reduced by NT\$30,855 and NT\$11,571 respectively. The difference was listed as the profit/loss of 2017.

(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 2015 was NT\$6,850,448.

(2) The remuneration of directors and supervisors actually distributed by this company in 2015 was NT\$2,568,918.

(3) The original board of directors passed the employee bonus, remuneration of directors and supervisors of 2015, and such remuneration was distributed to employees, directors and supervisors in 2016; 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 | 2015      |         | 2016    |         |
|--------------|-----------|---------|---------|---------|
|              | Amount    | %       | Amount  | %       |
| Linear guide | 984,741   | 96.36%  | 957,105 | 97.41%  |
| Linear motor | 37,242    | 3.64%   | 25,431  | 2.59%   |
| Total        | 1,021,983 | 100.00% | 982,536 | 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. Industrial robot

F. Magnetic encoder component

G. DD motor

H. Driver function expansion

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

A. EtherCAT communicative driver

B. Water-cooled linear motor

C. Semi-conductor packaging robot

D. Encoder communication serial device

E. Anti-interference module for driver

### 2. Industry introduction

#### (1) Current situation and development of the industry

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); 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.

The price fluctuation of global raw material slows down in 2017, which can promote the positive growth of economic recovery. The domestic prosperity leading index turns to increase. Moreover, the development of the new generation of the advanced process in the semi-conductor industry further drives the great increase of the demands in the equipment related industries. The development of manufacturing industry also indicates the higher demands for industrial robots, because the industrial robots can't only increase performance and production quality, but also can reduce manpower cost. Currently, the enterprises show higher and higher requirements for the performance of industrial robots, with the expectation to further improve production efficiency and product quality. Therefore, the high-speed, high-precision and smart-modularized industrial robots become the main development trend.

The key components are critical foundation for the development of industrial robots, which also determines the quality of industrial robots. Generally, the speed reducer, the motor and driver, plus the controller, account for more than 70% of the cost of the entire industrial robot, which are mainly imported from Germany and Japan. Although some enterprises in Taiwan realize the localization, the performance stability, reliability and performance are still in need of improvement.

In addition, the specifications of 3C products are getting diverse and changing constantly, and even the machine tools that are developed maturely in Taiwan start to think about how to make technological breakthroughs. It gives rise to the application of DD motor technology on the dividing plate of machine tool, which increase the scenarios of using turbo modules and shortens the machining cycle greatly.

In terms of control, the manufacturers of key parts and components have respective advantages of products. Thus, the entire industry gradually improves the machining technology in the way of cooperation and professional labor division. To improve the reliability of the entire cooperation system, it doesn't execute purely based on digital signal, but transforms into communication and transmission. Therefore, the open communication format and operating system platform become key fields for the development of smart industry in the following years.

b. Linear motor

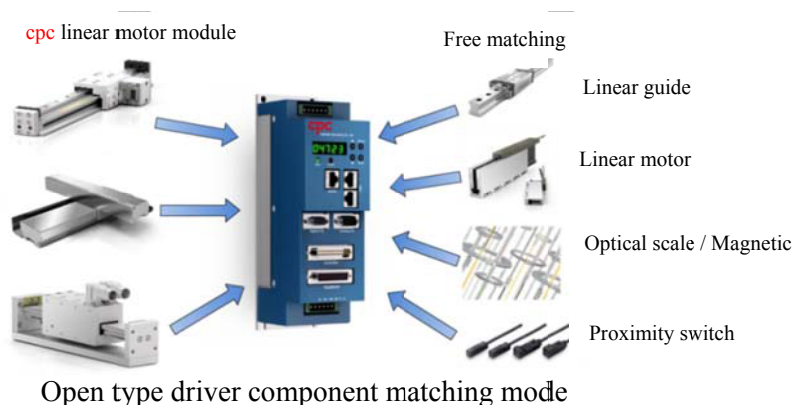
Due to the direct drive system, the linear motor is favored by the equipment manufacturers who have high capacity, high precision requirements, and the market acceptance also becomes increasingly high. Although the overall linear motor module is gradually traded in the market, many other experienced 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. 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

To become a professional manufacturer of key components for industrial robot, **cpc** plans to continue to develop the following products horizontally:

- A. Linear guide: It will continuously develop the roller-type linear guide with higher load and higher precision. With the exclusive patented technology of **cpc**, it will increase the product life span to the No. 1 in the industry.
- B. Linear motor: It is mainly divided into two directions. For special industrial processes, it will develop the miniature linear motor with the pulling force 10N, and the special linear motor that is applicable to bio-tech and IC packaging processes. On the other hand, to respond to the increasing demands for the application scenarios of using linear motor on the tool machine, it must develop the ironcore linear motor with the maximum pulling force above 20,000N. Moreover, since the temperature of the motor in working affects the machining precision, it designs the cooling device loaded to control temperature rise.
- C. Sensor: A key part of smart industry is how to extract the required information to be transmitted in the entire information network. The sensor is a critical part to determine whether the data is correct. Moreover, the reliability, resolution and pollution resistance are the key indicators to determine the quality of the sensor.

Currently, **cpc** has successfully developed the magnetic positional sensing component, which is already put into volume production. In the future, it will use such micro electro-mechanical design to expand to the sensor products such as accelerometer and force gauge.

- D. DD motor: Within the following year, **cpc** will develop frameless and framed full-series DD motor. The applicable scenarios are mainly divided into multi-axis articulated robot, machine tool and automation industry. The main technological threshold is to maximize the motor efficiency and moment in the limited space. Moreover, it provides the high-speed or popular DD motor based on the customer requirements, becoming a professional rotary DD motor manufacturer.
- E. Communication processing device: The automation industry in the current stage still mainly takes the simple digital signal as the transmission format. On the contrary, the advanced machine tool takes the string packets as the communication method, so as to improve the system reliability. At present, the automation industry is flourishing, and the system is developed towards network control of the entire plant. **cpc** will start to develop the serial transit box. With such device, the incremental analog or digital differential signal of the encoder can be exported as the universal format of industrial Biss C standards, which can be provided for the driver and controller for usage.
- F. EtherCAT communicative driver: With efficient and real-time communication performance, EtherCAT is gradually valued and preferred in the industry. Its bottom layer is the architecture of industrial communication protocol based on the Ethernet, which can support multi-axis real-time control function. In view of this, **cpc** will take the driver based on EtherCAT communication as the slave. In the future, it will develop the motion controller with master identity vertically.

## (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

Regarding the development of manufacturing of key components of industrial robots, the products such as encoder, motor component, linear guide and driver are all made by **cpc**. It can combine with the practical application in market to optimize the performance of the parts and components. Moreover, it puts into more efforts in the development of process equipment. While improving the entire scale of volume production, it can reduce the yield rate of products. This can control the entire costs better. Moreover, the core technologies are expanded to customer needs, and better products quality are taken as the primary goal, providing innovative and optimal service for customers.



### (III) Technology and research and development situation

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

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.

**cpc** doesn't only maintain the sales of linear guide and linear motor, but also increase the linear servo driver in the field of linear motion component to expand the market layout. Moreover, it integrates the self-branded products to provide the customer with CLS linear motor stage and customized linear motor module, stage, subsystem, officially stepping into the giant market of mechanical-electrical integration.

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.

In terms of software development, it adds the software filter function. When the motor works with the driver, it is accompanied with strong current, and the high-frequency voltage switch when controlling current will cause great EMI, which will have significant influence internally and externally. Externally, it might result in the transmission error of transmitting pulse on the controller. Internally, it might affect the motor driver and the position feedback signal, including the wrong operation of optical ruler and hall signal. Such function can conduct low-pass filter for the pulse command in a certain band, so as to eliminate the interference transmitted from the chuck or the driver, improving the reliability of positioning accuracy.

In terms of hardware, it develops a brand-new architecture. The small-power 3A servo driver is added with EtherCAT communication function, so as to realize the device miniature and minimize occupied land in the industry with high energy-saving awareness. While considering the product performance, it selects the highly-efficient and miniature electronic passive components. Besides conforming to the international codes, it designs the circuit with optimal space. In addition, it starts to provide the serial switching device that transforms the analog increment signal into Biss C. In the future, it will continuously develop the functions that support other communication formats.

The magnetic encoder manufactured by the Company breaks through the size restriction for the previous magnetic systems. It can produce the most compact magnetic encoder system available in the market. As for the digital output, the minimum resolution can be divided into 0.5 $\mu$ m. In addition, the encoder read head supporting analog output is also available.

Both DD motor and traditional servo motor belongs to rotary system. However, the main application of DD motor belongs to direct driving system, so it has the advantageous performance of high torque, high speed and high precision over the traditional servo. In terms of motor development in 2016, it released the frameless DD motor with the external diameter 105 mm, whose primary performance advantage was the motor constant was at least 50% higher than that of other competitors. The key technology is much simulation and development of winding technology. In addition, hollow inner diameter, low cogging and high torque density comply with the motor specification required by the articulated robots. Moreover, the Company also modularizes the frameless motor to release the RP120 series framed DD motor with the

lowest assembly height among the same torque output available in the market. It makes the self-manufactured products cover the entire machining part, motor body, encoder and even driver. In the future, the Company will have high market demands in the fields of semi-conductor industry, 3C automation industry, panel industry and machine tools.

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

Unit: NT\$ in thousand

| Year                                    | 2012    | 2013    | 2014      | 2015      | 2016    |
|---|---------|---------|-----------|-----------|---------|
| Research and development expenditure(A) | 34,150  | 26,158  | 30,775    | 36,985    | 43,775  |
| Net sales revenue (B)                   | 920,181 | 941,944 | 1,016,920 | 1,021,983 | 982,536 |
| Proportion (A)/(B)                      | 3.71%   | 2.78%   | 3.03%     | 3.62%     | 4.46%   |

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

| Year | Research result  |
|------|--|
| 2012 | Structure of moving parts of the linear guide<br>Circulation channel device of the linear guide<br>Structure of ironless series linear motor coil assembly<br>Structure of winding, smooth retaining chain<br>Anti-dust device of the linear guide |
| 2013 | Four raw ball wide rail type linear guide<br>Hole caps structure of the linear guide<br>Ironcore series linear motor<br>Linear motor module  |
| 2014 | Roller type linear guide<br>CLS linear motor module<br>Linear motor servo driver   |
| 2015 | Roller type linear guide of each size<br>CLMS dual-track type linear motor module<br>MMLS magnet motive linear motor module<br>20A linear servo driver   |
| 2016 | MMLS linear motor module   |
| 2017 | ME1 magnetic encoder<br>DR-105 series frameless DD motor<br>RP-120 series framed DD motor<br>Expansion of driver functions   |

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

1. Short-term business development plan

(1) Sales strategy

- A. Conduct global marketing for self-brand **cpc**, to improve brand awareness and value.
- B. Enhance the management of existing customers and establish good interaction.
- C. Continuously strengthen the operation function of each region to improve the overall revenue.
- D. Improve the competitiveness of niche products.

(2) Production strategy

- A. Improve the accuracy, efficiency and quality of product manufacture, so as to increase the product competitiveness.
- B. Increase the production yield rate and utilization ratio to reduce loss.

- C. Seek for the appropriate raw material suppliers who have reached suitable price and stable quality.
- D. Construct a global management mechanism to integrate the resources of group.
- (3) Research and development strategy
  - A. Completeness of all product series.
  - B. Develop the new manufacturing technology to improve the automation and autonomy degree.
  - C. Develop the mechanical and electrical integration system.
  - D. Take Taiwan as the center of core technology and product development.
- (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 ME1 magnetic encoder, DR-105 series frameless DD motor, RP-120 series framed DD motor, driver function expansion, and 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 **cpc** brand value, increase international competitiveness, and strengthen the global layout of **cpc**.
    - B. Widen the application level, establish strategic alliance with peripheral industries in the way of industrial cooperation, becoming the leader under Industry 4.0.
    - C. Construct the global **cpc** marketing channel to increase the market share to make **cpc** become the leading brand of linear motion components in the world.
  - (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 \ Year \ Item |          | 2015              |            | 2016              |            |
|----------------------------|----------|-------------------|------------|-------------------|------------|
|                            |          | Net sales revenue | Percentage | Net sales revenue | Percentage |
| Export                     | America  | 135,574           | 13.27%     | 128,379           | 13.07%     |
|                            | Europe   | 241,569           | 23.64%     | 194,573           | 19.80%     |
|                            | Asia     | 451,224           | 44.15%     | 431,895           | 43.96%     |
|                            | Others   | 1,140             | 0.11%      | 4,035             | 0.41%      |
|                            | Subtotal | 829,507           | 81.17%     | 758,882           | 77.24%     |
| Local                      |          | 192,476           | 18.83%     | 223,654           | 22.76%     |
| Total                      |          | 1,021,983         | 100.00%    | 982,536           | 100.00%    |

#### 2. Market Share

**cpc** mainly engages in the research and development, manufacture and sale of precision linear motion components, which belongs to the mechanical drive industry of machinery industry. According to the industrial production statistics of Ministry of Economic Affairs, the linear guide rail output value of Taiwan in 2016 was about NT\$ 15.782 billion, while the consolidated revenue of the Company in 2016 was NT\$ 0.983 billion, so it could find the market share of the Company in 2016 was about 6.23%.

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

- (1) Industry 4.0 is rising, and the industrial automation is an unstoppable trend, which provides fundamental driving force of the growing demands for linear guide rail. Moreover, the machine and equipment are developing towards miniature design, which is a piece of good news for the miniature linear guide rail.
- (2) 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) High competitiveness of quality and technology
  - A. With the goal of “product quality” and “product function”, **cpc** increase the value added of the products, and controls the cost strictly.
  - B. Based on the rich R&D experience, and fast reaction to client and market demand.
- (2) Continuously improve technology and develop new products
  - 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. The linear motor module also starts to match the **cpc** self-developed linear magnetic ruler as the position feedback system, to provide more diverse options for customers.

(3) Good service quality

A. Good customer service quality can provide the best foundation for the competitiveness of the Company.

B. Keep good customer relationship to win the trust from the customers.

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 micro machining 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. Moreover, it is making breakthroughs towards the more advanced linear guide rail of size 2.
  - 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.

(F) DD motor

a. Leading design in the industry

(a) Highest motor efficiency:

The design of DD motor still takes the maximum motor efficiency as the development goal, which can make the entire system achieve the energy-saving goal effectively.

(b) Low cogging:

In the application of ironcore motor, the silicon steel plate will generate cogging when moving from N pole to S pole as the magnetic field has 180-degree magnetic rotation direction. Generally, it should design the cogging within 2% of rated torque, which can obtain high response for controlling.

(c) Large hollow external diameter:

The application of DD motor mostly fixes the load on the motor. The central hole of DD motor is usually used as the path of flat cable. With the increasing integration of the device, the wiring becomes more and more complicated. In this case, the size of hollow diameter is one of the indicators considered by the user.

(d) Guarantee of production technology:

The performance of **cpc** DD motor is far superior to other competitors in the market. Aside from the leading design, another key is the powerful process that can realize more strict processing conditions than other competitors. Besides the precision machining of fixture, the entire processing devices are self-designed and manufactured. Thus, the production technology is mastered by its own.

(G) Magnetic encoder

High resolution and high precision: Currently the magnetic encoder developed by **cpc** can reach 0.5 $\mu$ m resolution. In terms of the precision, it can reach 10 $\mu$ m/m by taking advantage of the exclusive calibration method, which can provide the linear encoder of another type for the

market.

(2) Unfavorable Factors and Countermeasures

A. Difficulty in talent acquisition and cultivation

In the Industry 4.0, we need more R&D talents, to improve the added value. In the process of transformation automation, it will make 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:

(A) **cpc**'s main technology is developed on its 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, and continuing improvements.

(B) It should reinforce the industry-academy cooperation and cultivate more talents, to realize the application of knowledge.

(C) It should promote the welfare system of the Company, to attract and retain the talents.

B. When receiving urgent orders, the capacity in transition period is restricted due to the national policy

As the labor awareness is rising, and the government carries out the "one fixed day off and one flexible rest day" policy, it is difficult for the enterprise to increase capacity quickly to cope with the large demands of urgent order in the transition period.

Countermeasures:

To maintain the yield rate of products, and increase the shipment capacity, it controls the safe inventory of various parts, and starts to plan the automation scale for the production in plant. This can stabilize the yield rate and capacity of the entire production line, and realize sustainable operation.

(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.

(4) DD motor

It is mainly divided into frameless (DR) and framed (RP) series. The difference between these two types is that the RP series doesn't only have rotator and stator, but also includes bearing, encoder and other processing parts. The entire product is



modularized when being provided for user. The market demand of DR series is that the customer can purchase the stator for using when there are special restriction on cost or space, such as the manufacturer of rotation motor and robotic arm. On the other hand, the RP series allows the user to fix the load on the rotating table directly, which is for the high-speed and high-precision application. Currently, the main application scenarios include the panel industry, automation device, biomedical robot, machine tool industry and semi-conductor industry.

(5) Magnetic encoder

Encode is massively used as the product of position feedback in the industries, with the resolution reaching 0.5μm. Therefore, its track can be found in the entire rotation or linear motion system. It is naturally included in **cpc**'s development plan of key parts and components.

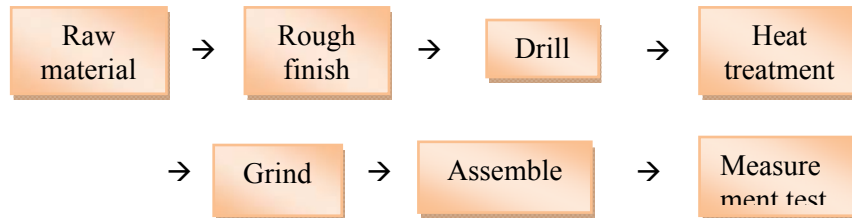
2. Production Procedures of Main Products

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

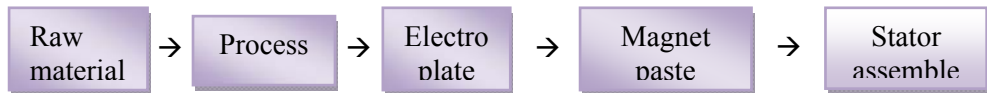
(1) Guide rail



(2) Linear block



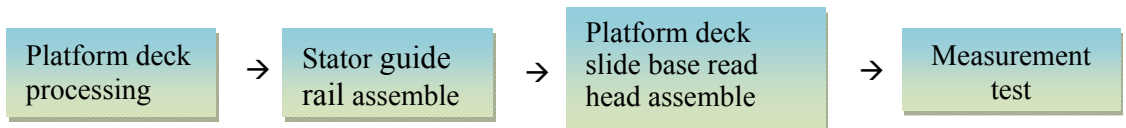
(3) Magnetic part of motor



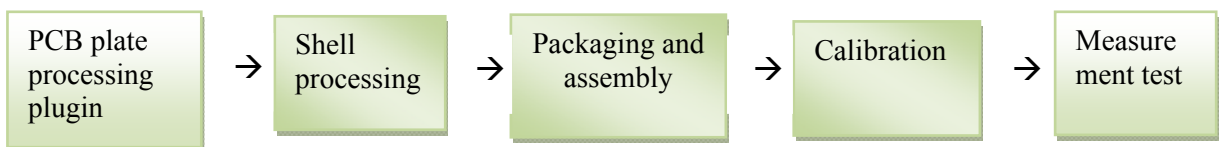
(4) Winding part of motor



(5) Linear motor module



(6) Magnetic encoder



(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 and good 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 | 2015               |         |   |                      | 2016               |         |   |                      | As of first quarter of 2017 |        |   |                      |
|------|--------------------|---------|---|----------------------|--------------------|---------|---|----------------------|-----------------------------|--------|---|----------------------|
|      | Company Name       | Amount  | Percent in the annual net purchases (%) | Relation with Issuer | Company Name       | Amount  | Percent in the annual net purchases (%) | Relation with Issuer | Company Name                | Amount | Percent in the net purchases by the first quarter (%) | Relation with Issuer |
| 1    | Company A          | 62,042  | 28.50                                   | No                   | Company A          | 58,919  | 29.51                                   | No                   | Company A                   | 23,234 | 33.53   | No                   |
| 2    | Company B          | 25,180  | 11.57                                   | No                   | Company B          | 29,176  | 14.61                                   | No                   | Company B                   | 11,545 | 16.66   | No                   |
|      | Others             | 130,434 | 59.93                                   | No                   | Others             | 111,542 | 55.88                                   | No                   | Others                      | 34,511 | 49.81   | No                   |
|      | Net total supplies | 217,656 | 100.00                                  |                      | Net Total supplies | 199,637 | 100.00                                  |                      | Net Total supplies          | 69,290 | 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 2016, it showed a slight reduction rate if compared to 2015. It was mainly because of the effect of continuous de-stocking and the remarkable effect of reducing the consolidated inventory. The amount of purchases made from the suppliers in 2016 was slightly reduced if compared to 2015. However, the amount of consolidated inventory has reached low level, so the amount of purchases was increased with the higher turnover in the first quarter of 2017.

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 | 2015         |           |   |                      | 2016         |         |   |                      | As of first quarter of 2017 |         |   |                      |
|------|--------------|-----------|---|----------------------|--------------|---------|---|----------------------|-----------------------------|---------|---|----------------------|
|      | Company Name | Amount    | Percent in the annual net purchases (%) | Relation with Issuer | Company Name | Amount  | Percent in the annual net purchases (%) | Relation with Issuer | Company Name                | Amount  | Percent in the net purchases by the first quarter (%) | Relation with Issuer |
| 1    | Company A    | 73,348    | 7.18                                    | No                   | Company C    | 59,187  | 6.02                                    | No                   | Company E                   | 23,120  | 9.03  | No                   |
| 2    | Company B    | 72,950    | 7.14                                    | No                   | Company A    | 57,411  | 5.84                                    | No                   | Company A                   | 18,585  | 7.26  | No                   |
| 3    | Company C    | 72,433    | 7.09                                    | No                   | Company D    | 49,681  | 5.06                                    | No                   | Company F                   | 15,949  | 6.23  | No                   |
|      | Others       | 803,252   | 78.59                                   | No                   | Others       | 816,257 | 83.08                                   | No                   | Others                      | 198,420 | 77.48   | No                   |
|      | Net Sales    | 1,021,983 | 100.00                                  |                      | Net Sales    | 982,536 | 100.00                                  |                      | Net Sales                   | 256,074 | 100.00  |                      |

Note 1: Major clients with gross sales over 10% in the last two calendar years and sale amount and percent are listed 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: In 2016, some foreign customers encountered the sharp devaluation of the local currency. Based on the safety consideration of accounts receivable in cash, it controlled the shipment strictly, which resulted in the reduction of net sales. However, it has shown an obvious growth trend in the first quarter of 2017.

(V) Production in the Last Two Years

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

| Major Products                   | Year | 2015     |          |         | 2016     |          |         |
|----------------------------------|------|----------|----------|---------|----------|----------|---------|
|                                  |      | Capacity | Quantity | Amount  | Capacity | Quantity | Amount  |
| Linear guide rail and slide base |      | 620      | 527      | 881,901 | 664      | 564      | 847,132 |
| Linear motor                     |      | 31       | 26       | 36,447  | 28       | 24       | 24,706  |
| Others                           |      | -        | -        | -       | -        | -        | -       |
| Total                            |      | 651      | 553      | 918,348 | 692      | 588      | 871,838 |

Note: Production change and analysis: It was mainly because of the effect of continuous de-stocking and the remarkable effect of reducing the consolidated inventory. The quantity and amount of production in 2016 was increased slightly if compared to 2015.

(VI) Sales in the Last Two Years

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

| Sales                            | Year | 2015     |         |          |         | 2016     |         |          |         |
|----------------------------------|------|----------|---------|----------|---------|----------|---------|----------|---------|
|                                  |      | Local    |         | Export   |         | Local    |         | Export   |         |
|                                  |      | Quantity | Amount  | Quantity | Amount  | Quantity | Amount  | Quantity | Amount  |
| Linear guide rail and slide base |      | 140      | 186,668 | 1,375    | 798,074 | 163      | 210,171 | 1,288    | 746,802 |
| Linear motor                     |      | 4        | 5,807   | 58       | 31,433  | 11       | 13,483  | 22       | 12,080  |
| Total                            |      | 144      | 192,475 | 1,433    | 829,507 | 174      | 223,654 | 1,310    | 758,882 |

Note: Sales change and analysis:

1. Due to the recovery of domestic industrial prosperity, plus the active development of domestic market, the quantity and amount of domestic sales were increased significantly.
2. Some foreign customers encountered the sharp devaluation of the local currency. Based on the safety consideration of accounts receivable in cash, it controlled the shipment strictly, which resulted in the reduction of export sales in 2106.

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

May 22, 2017

| Year                     |                          | 2015  | 2016  | As of May 22, 2017 |
|--------------------------|--------------------------|-------|-------|--------------------|
| Number of Employees      | Administrative staff     | 68    | 75    | 81                 |
|                          | R&D personnel            | 31    | 43    | 47                 |
|                          | Business personnel       | 34    | 32    | 35                 |
|                          | Field staff              | 237   | 230   | 254                |
|                          | Total                    | 370   | 380   | 417                |
| Average Age              |                          | 36.15 | 33.4  | 36.5               |
| Average Years of Service |                          | 3.13  | 4.50  | 4.29               |
| Education                | Ph.D.                    | 0.1%  | 0.0%  | 0.1%               |
|                          | Masters                  | 7.5%  | 6.8%  | 7.0%               |
|                          | Bachelor's Degree        | 51.9% | 60.0% | 61.2%              |
|                          | Senior High School       | 24.5% | 30.0% | 28.9%              |
|                          | Below Senior High School | 16.0% | 3.2%  | 2.8%               |

### 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 22, 2017

| Equipment Name  | Qty | Acquisition Date | Invested Cost | Balance | Usage and Estimated Benefit |
|---|-----|------------------|---------------|---------|-----------------------------|
| Water pollution prevention project  | 1   | June 21,2004     | 1,387         | 566     | 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           | 302     | 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.
- (14) Planning of free parking space.
- (15) Set up Staff Welfare Committee, encourage the employees to participate in establishing and improving the corporate welfare system, provide allowance and show care for the employees in wedding and funeral, as well as important festivals.
- (16) Set up health management consultant and regular occupational physician to visit during the health consultation period, who concern for the employee's health actively, conduct health check-up and assist in health management for the employees. At the meantime, they can improve the health knowledge for the employees, and follow up the abnormal condition.
- (17) Set up Automated External Defibrillator (AED) in the hall at 1F, which is provided for the employees and others to use in emergency.
- (18) Strengthen the knowledge and training related to industrial safety, occupational safety, fire protection and disaster prevention for the employees. Set up self-defense fire protection team, and conduct fire protection advocacy and drills regularly.

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 employees as the internal lecturer to inherit the company culture and skill, and also irregularly invite the external specialists to give instructions. In 2016, the Company held training course over 1,319 classes, total training hours nearly 1,705 hours, and total participated persons of 13,784 person-times.

The training courses in 2016 include:

- (1) New employee educational training: It includes 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 getting familiar with the work content as soon as possible.
- (2) Common knowledge training: It refers to the common knowledge training activity required by government decree, company policy and the whole company or all sectors at each level, such as: education of prohibition and prevention of insider trading, staff HSE educational training, safety and health training course, quality training course, factory emergency response training course, and personal performance management series course.
  - (3) Professional training: It refers 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: It refers to the planning of supervisor management training and development course. The content includes the management and leadership control course as well as other supplementary courses.
  - (5) Direct personnel training: It refers to the training course providing the necessary knowledge, skill and attitude of technical personnel on production line, such as the machine skill training course for direct personnel.
  - (6) Periodically make the technical evaluation and performance evaluation, positively train the reserve leaders and talents.
3. Employee retirement system and implementation condition: the Company's retirement system is mainly based on the relevant laws and regulations of Labor Standard Act.
- (1) For the company in the Republic of China: It shall follow the labor retirement management regulation of Labor Standard Act, and allocate the pension reserve monthly to the labor retirement reserve fund supervision committee special account according to the provisions. Moreover, it has 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 employee doesn't make selection before the due date, s/he will continuously apply the pension provision of "Labor Standard Law" since the implementation date.
    - C. 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.
    - D. 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
 

For the employees at special posts that are dangerous, and require high strength, according to the provisions in subparagraph 2 of Article 54 of Labor Standard Law, the enterprise shall report to the competent authority to adjust the age stipulated in above paragraph, which shall not be less than 55 years old. For those who meet compulsory retirement conditions, and are applicable to termination of employment contract according to Article 11 of Labor Standard Law, it shall be subject to the retirement method according to the law.
    - E. Pension payment standards:
      - (A) For the employees arriving the post before March 1, 1998(not including March 1), it shall pay pension based on 2 cardinal numbers for each working year.

For the working years more than 15, it shall pay 1 cardinal number additionally for every one full year, which shall not exceed 61 cardinal numbers at most.

(B) For the employees arriving the post after March 1, 1998(including March 1), it shall pay pension based on 2 cardinal numbers for each working year. For the working years more than 15, it shall pay 1 cardinal number for every one full year, which shall not exceed 45 cardinal numbers at most except for the compulsory retirement due to occupational injury and disease.

(C) For the employees retired compulsorily, if the lunacy or physical disability is caused by the work and results in compulsory retirement, the pension shall be paid based on 20% plus the above regulation.

F. Under the new pension system, it shall monthly allocate 6% to labor pension special account, and estimate the balance of labor pension reserve by the end of every year. If it is less than the amount to be paid for the employees who meet the retirement conditions within one year according to subparagraph 1-1 of Article 53 or Article 54, it shall appropriate the difference at one time by the end of March in the next year. Moreover, it shall be submitted to the Supervisory Committee of Workers' Retirement Fund for review.

G. It shall advocate the personal voluntary pension contribution, and encourage improving the economic life after retirement from diverse perspectives.

(2)For the company in China: For the endowment insurance after labor retirement, the company shall pay the endowment insurance based on the local laws and regulation at the premises of the enterprise.

A. According to the operation of local social insurance, the endowment insurance is included in social insurance (including medical insurance, maternity insurance, endowment insurance, occupational injury insurance, and unemployment insurance). After adding member for social insurance, the company shall starts to fulfill the obligation of paying endowment insurance.

B. If the employee reaches the retirement age stipulated by laws, and pays the endowment insurance (including the deemed years of contribution) for 15 years accumulatively, s/he shall be eligible to the treatment of basic endowment insurance, which is composed of the following:

(A)For those working since January 1, 1993: Basic pension+ pension of personal account, explained as below:

a. Basic pension: When employee is retired, the monthly wage of workers employed in the previous year \*individual payment years \*1%.

b. Pension of personal account: When employee is retired, the balance in account /months paid for retirement.

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. In addition, it sets up the employee communication and care channel for the foreign employees. With the assistance of translator, it improves the adaptation and performance of foreign employees in work and life. This is to maintain the labor and management relation harmoniously, without labor and management 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 | Chang Hwa Bank   | February 17, 2012 ~ February 17, 2019   | Credit granting contract       | Note 2       |
| Medium and long-term borrowings | Bank of Taiwan   | July 4, 2011 ~ July 4, 2018             | Credit granting contract       | Note 3       |
| Medium and long-term borrowings | Bank of Taiwan   | June 23, 2011 ~ February 10, 2017       | Credit granting contract       | Note 3       |
| Medium and long-term borrowings | E.SUN Bank   | September 23, 2016 ~ September 23, 2021 | Credit granting contract       | No           |
| Medium and long-term borrowings | E.SUN Bank   | September 23, 2016 ~ September 23, 2019 | Credit granting contract       | No           |
| Land lease                      | Southern Taiwan Science Park Administration, MOST      | January 01, 2003 ~ December 31, 2022    | Land lease contract            | No           |
| Land lease                      | Southern Taiwan Science Park Administration, MOST      | 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, 2018 to February 17, 2019.

Note 3: The contract with the Bank of Taiwan was settled in advance in September 2005.



## 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, 2017 (Note 2) |
|---|---------------------|--|-----------|-----------|-----------|-----------|---|
|   |                     | 2012   | 2013      | 2014      | 2015      | 2016      |   |
| Current assets  |                     | 1,357,275  | 1,364,977 | 1,305,890 | 1,195,278 | 1,199,483 | 1,253,699                                       |
| Real Estate, Plant and Equipment                          |                     | 941,168  | 874,975   | 770,097   | 661,307   | 892,019   | 868,271   |
| Intangible assets   |                     | 48,943   | 49,010    | 51,284    | 53,104    | 68,707    | 78,519  |
| Other assets  |                     | 378,635  | 362,442   | 364,798   | 366,567   | 36,164    | 37,848  |
| Total assets  |                     | 2,726,021  | 2,651,404 | 2,492,069 | 2,276,256 | 2,196,373 | 2,238,337                                       |
| Current liabilities                                       | Before distribution | 736,737  | 657,156   | 638,344   | 446,440   | 440,085   | 489,673   |
|   | After distribution  | 752,726  | 668,398   | 666,461   | 474,557   | Note 2    | Note 2  |
| Non-current liabilities                                   |                     | 669,254  | 616,794   | 565,386   | 510,285   | 397,872   | 391,087   |
| Total liabilities   | Before distribution | 1,405,991  | 1,273,950 | 1,203,730 | 956,725   | 837,957   | 880,760   |
|   | After distribution  | 1,421,980  | 1,285,192 | 1,231,847 | 984,842   | Note 2    | Note 2  |
| Equity attributable to shareholders of the parent company |                     | 1,320,030  | 1,377,454 | 1,288,339 | 1,319,531 | 1,358,293 | 1,357,512                                       |
| Capital stock   |                     | 536,551  | 565,535   | 592,338   | 592,338   | 620,455   | 620,445   |
| Capital surplus   |                     | 452,836  | 456,573   | 463,051   | 463,051   | 463,051   | 463,051   |
| Retaining earnings  | Before distribution | 333,595  | 350,050   | 331,149   | 370,662   | 399,259   | 411,415   |
|   | After distribution  | 290,957  | 310,704   | 303,032   | 342,545   | Note 2    | Note 2  |
| Other equity interest                                     |                     | (2,952)  | 5,296     | 15,168    | 12,024    | (5,928)   | (18,865)  |
| Treasury stock  |                     | -  | -         | (113,367) | (118,544) | (118,544) | (118,544)                                       |
| Non-controlling interest                                  |                     | -  | -         | -         | -         | 123       | 65  |
| Total equity  | Before distribution | 1,320,030  | 1,377,454 | 1,288,339 | 1,319,531 | 1,358,416 | 1,357,577                                       |
|   | After distribution  | 1,304,041  | 1,366,212 | 1,260,222 | 1,291,414 | Note 2    | Note 2  |

Note 1: The financial data of 2012, 2013, 2014, 2015 and 2016 had been audited by the CPA, and the financial data as of March 31, 2017 has been reviewed by the CPA.

Note 2: The earnings distribution plan of 2016 is subject to the resolution of shareholders' meeting.

## (2) Condensed balance sheet – individual

Unit: NT\$ in thousand

| Item  | Year                | Financial Summary for The Last Five Years (Note 2) |           |           |           |           |
|---|---------------------|--|-----------|-----------|-----------|-----------|
|   |                     | 2012   | 2013      | 2014      | 2015      | 2016      |
| Current assets  |                     | 1,405,415  | 1,194,380 | 1,051,103 | 963,499   | 924,949   |
| Real estate, plant and equipment                          |                     | 930,489  | 854,292   | 752,075   | 641,818   | 872,944   |
| Intangible assets   |                     | 48,803   | 48,917    | 51,184    | 53,016    | 51,132    |
| Other assets  |                     | 528,890  | 516,737   | 613,399   | 603,088   | 302,306   |
| Total assets  |                     | 2,913,597  | 2,614,326 | 2,467,761 | 2,261,421 | 2,151,331 |
| Current liabilities                                       | Before distribution | 878,189  | 606,273   | 580,422   | 420,124   | 363,561   |
|   | After distribution  | 894,178  | 617,515   | 608,539   | 448,241   | Note 2    |
| Non-current liabilities                                   |                     | 715,378  | 630,599   | 599,000   | 521,766   | 429,477   |
| Total liabilities   | Before distribution | 1,593,567  | 1,236,872 | 1,179,422 | 941,890   | 793,038   |
|   | After distribution  | 1,609,566  | 1,248,114 | 1,207,539 | 970,007   | Note 2    |
| Equity attributable to shareholders of the parent company |                     | 1,320,030  | 1,377,454 | 1,288,339 | 1,319,531 | 1,358,293 |
| Capital stock   |                     | 536,551  | 565,535   | 592,338   | 592,338   | 620,455   |
| Capital surplus   |                     | 452,836  | 456,573   | 463,051   | 463,051   | 463,051   |
| Retaining earnings  | Before distribution | 333,595  | 350,050   | 331,149   | 370,662   | 399,259   |
|   | After distribution  | 290,957  | 310,704   | 303,032   | 342,545   | Note 2    |
| Other equity interest                                     |                     | (2,952)  | 5,296     | 15,168    | 12,024    | (5,928)   |
| Treasury stock  |                     | -  | -         | (113,367) | (118,544) | (118,544) |
| Non-controlling interest                                  |                     | -  | -         | -         | -         | -         |
| Total equity  | Before distribution | 1,320,030  | 1,377,454 | 1,288,339 | 1,319,531 | 1,358,293 |
|   | After distribution  | 1,304,041  | 1,366,212 | 1,260,222 | 1,291,414 | Note 2    |

Note 1: The financial data of 2012, 2013, 2014 and 2015 had been audited by the accountant.

Note 2: The earnings distribution plan of 2016 is subject to the resolution of shareholders' 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, 2017 (Note 1) |
|--|--|---------|-----------|-----------|----------|---|
|  | 2012   | 2013    | 2014      | 2015      | 2016     |   |
| Operating revenue  | 920,181  | 941,944 | 1,016,920 | 1,021,983 | 982,536  | 256,074   |
| Gross profit   | 301,398  | 244,499 | 240,920   | 306,404   | 354,717  | 94,689  |
| Income from operations   | 115,864  | 47,287  | 39,152    | 96,156    | 124,333  | 38,965  |
| Non-operating income and expense   | (19,912)   | 32,967  | (7,334)   | (14,741)  | (18,925) | (24,165)  |
| Income before tax  | 95,952   | 80,254  | 31,818    | 81,415    | 105,408  | 14,800  |
| Net income of this term from continuous operation                            | 68,424   | 58,688  | 20,743    | 70,782    | 85,534   | 12,102  |
| Loss from discontinued operations  | -  | -       | -         | -         | -        | -   |
| Net income (Loss)  | 68,424   | 58,688  | 20,743    | 70,782    | 85,534   | 12,102  |
| Other comprehensive income (income after tax)                                | (3,130)  | 8,653   | 9,574     | (6,296)   | (18,714) | (12,941)  |
| Total comprehensive income   | 65,294   | 67,341  | 30,317    | 64,486    | 66,820   | (839)   |
| Net income attributable to shareholders of the parent company                | 68,424   | 58,688  | 20,743    | 70,782    | 85,583   | 12,156  |
| Net income attributable to non-controlling interest                          | -  | -       | -         | -         | (49)     | (54)  |
| Comprehensive profit/loss attributable to Shareholders of the parent company | 65,294   | 67,341  | 30,317    | 64,486    | 66,879   | (781)   |
| Comprehensive profit/loss attributable to non-controlling interest           | -  | -       | -         | -         | (59)     | (58)  |
| Earnings per share   | 1.29   | 1.00    | 0.35      | 1.26      | 1.45     | 0.21  |

Note 1: The financial data of 2012, 2013, 2014, 2015 and 2016 had been audited by the CPA, and the financial data as of March 31, 2017 has been reviewed by the CPA.

## (2) Consolidated Condensed Statement of Income – individual

Unit: NT\$ in thousand

| Item   | Year | Financial Summary for The Last Five Years (Note 1) |         |          |          |          |
|--|------|--|---------|----------|----------|----------|
|  |      | 2012   | 2013    | 2014     | 2015     | 2016     |
| Operating revenue  |      | 1,172,024  | 601,674 | 811,557  | 826,513  | 784,654  |
| Gross profit   |      | 294,000  | 153,264 | 155,461  | 213,766  | 242,807  |
| Income from operations   |      | 182,698  | 47,292  | 37,374   | 89,536   | 107,916  |
| Non-operating income and expense   |      | (87,924)   | 26,972  | (11,449) | (12,615) | (8,108)  |
| Income before tax  |      | 94,744   | 74,264  | 25,925   | 76,921   | 99,808   |
| Net income of this term from continuous operation                            |      | 68,424   | 58,688  | 20,743   | 70,782   | 85,583   |
| Loss from discontinued operations  |      | -  | -       | -        | -        | -        |
| Net income (Loss)  |      | 68,424   | 58,688  | 20,743   | 70,782   | 85,583   |
| Other comprehensive income (income after tax)                                |      | (3,130)  | 8,653   | 9,574    | (6,296)  | (18,704) |
| Total comprehensive income   |      | 65,294   | 67,341  | 30,317   | 64,486   | 66,879   |
| Net income attributable to shareholders of the parent company                |      | 68,424   | 58,688  | 20,743   | 70,782   | 85,583   |
| Net income attributable to non-controlling interest                          |      | -  | -       | -        | -        | -        |
| Comprehensive profit/loss attributable to shareholders of the parent company |      | 65,294   | 67,341  | 30,317   | 64,486   | 66,879   |
| Comprehensive profit/loss attributable to non-controlling interest           |      | -  | -       | -        | -        | -        |
| Earnings per share   |      | 1.29   | 1.00    | 0.35     | 1.26     | 1.45     |

Note 1: The financial data of 2012, 2013, 2014, 2015 2016 and had been audited by the CPA.

## (II) Condensed Balance Sheet and Consolidated Statement of 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) |                |                |                |                |  |  |  |  |
|---|---------------------|--|----------------|----------------|----------------|----------------|--|--|--|--|
|   |                     | 2012   | 2013           | 2014           | 2015           | 2016           |  |  |  |  |
| Current assets                                      |                     | 1,437,388  |                |                |                |                |  |  |  |  |
| Funds and investments                               |                     | 151,433  |                |                |                |                |  |  |  |  |
| Fixed assets(Note 2)                                |                     | 953,425  |                |                |                |                |  |  |  |  |
| Intangible assets                                   |                     | 48,803   |                |                |                |                |  |  |  |  |
| Other assets  |                     | 320,572  |                |                |                |                |  |  |  |  |
| Total assets  |                     | 2,911,621  |                |                |                |                |  |  |  |  |
| Current liabilities                                 | Before distribution | 873,672  | Not applicable | Not applicable | Not applicable | Not applicable |  |  |  |  |
|   | After distribution  | 889,661  |                |                |                |                |  |  |  |  |
| Long-term liabilities                               |                     | 666,194  |                |                |                |                |  |  |  |  |
| Other liabilities                                   |                     | 46,124   |                |                |                |                |  |  |  |  |
| Total liabilities                                   | Before distribution | 1,585,990  |                |                |                |                |  |  |  |  |
|   | After distribution  | 1,601,979  |                |                |                |                |  |  |  |  |
| Capital stock                                       |                     | 530,417  |                |                |                |                |  |  |  |  |
| Capital surplus                                     |                     | 452,836  |                |                |                |                |  |  |  |  |
| Retaining earnings                                  | Before distribution | 336,377  |                |                |                |                |  |  |  |  |
|   | After distribution  | 293,739  |                |                |                |                |  |  |  |  |
| Unrealized gains or losses of financial instruments |                     | -  |                |                |                |                |  |  |  |  |
| Cumulative translation adjustment                   |                     | (133)  |                |                |                |                |  |  |  |  |
| Net loss of unlisted pension cost                   |                     | -  |                |                |                |                |  |  |  |  |
| Total equity  | Before distribution | 1,325,631  |                |                |                |                |  |  |  |  |
|   | After distribution  | 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 Income – based on SFAS

Unit: NT\$ in thousand

| Item   | Year | Financial Summary for The Last Five Years (Note 1) |                |                |                |                |
|--|------|--|----------------|----------------|----------------|----------------|
|  |      | 2012   | 2013           | 2014           | 2015           | 2016           |
| Operating revenue                                  |      | 1,172,024  |                |                |                |                |
| Gross profit                                       |      | 351,779  |                |                |                |                |
| Income from operations                             |      | 185,319  |                |                |                |                |
| Non-operating income and profit                    |      | 17,554   |                |                |                |                |
| Non-Operating expenses and loss                    |      | 105,478  |                |                |                |                |
| Income before tax of continuous operation          |      | 97,395   |                |                |                |                |
| Gains or losses from continuous operation          |      | 70,599   | Not applicable | Not applicable | Not applicable | Not applicable |
| Gains or losses from discontinued operations       |      | -  |                |                |                |                |
| Extraordinary gains or losses                      |      | -  |                |                |                |                |
| Cumulative impact from accounting principle change |      | -  |                |                |                |                |
| Current profits or losses                          |      | 70,599   |                |                |                |                |
| Earnings per share                                 |      | 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: 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 to 2015:

1. Auditors' Opinions from 2011 to 2015:

| Year | Accounting Firm | CPA                             | Audit Opinion |
|------|-----------------|---------------------------------|---------------|
| 2012 | PwC TW          | CPA LIU TZU-MENG, LI MING-HSIEN | Unqualified   |
| 2013 | PwC TW          | CPA LIU TZU-MENG, LI MING-HSIEN | Unqualified   |
| 2014 | PwC TW          | CPA LIN TZU-SHU, LIU TZU-MENG   | Unqualified   |
| 2015 | PwC TW          | CPA LIN TZU-SHU, LIU TZU-MENG   | Unqualified   |
| 2016 | PwC TW          | CPA LIN TZU-SHU, LIU TZU-MENG   | Unqualified   |

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-SHU 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 CPA LIN TZU-SHU 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 LIN TZU-SHU and LIN YUNG-CHIH for check and audit since 2017.

## II. Five-Year Financial Analysis

### (I) Financial Analysis – Based on IFRS

#### (1) Consolidated Financial Analysis

| Item                    | Year   | Financial Analysis for the Last Five Years<br>(Note 2) |        |        |        |        | As of March<br>31, 2017<br>(Note 2, Note 3) |
|-------------------------|--|--|--------|--------|--------|--------|---|
|                         |  | 2012   | 2013   | 2014   | 2015   | 2016   |   |
| Financial structure (%) | Debt Ratio   | 51.58  | 48.05  | 48.30  | 42.03  | 38.15  | 39.35                                       |
|                         | Ratio of long-term capital to real estate, plant and equipment | 211.36   | 227.92 | 240.71 | 276.70 | 196.89 | 201.40                                      |
| Solvency %              | Current ratio  | 184.23   | 207.71 | 204.57 | 267.74 | 272.56 | 256.03                                      |
|                         | Quick ratio  | 82.67  | 106.92 | 127.53 | 182.40 | 196.42 | 186.06                                      |
|                         | Interest earned ratio (times)                                  | 5.90   | 4.92   | 2.64   | 5.45   | 9.10   | 6.92  |
| Operating performance   | Accounts receivable turnover (times)                           | 3.25   | 2.98   | 2.95   | 2.82   | 2.67   | 2.84  |
|                         | Average collection days  | 112  | 122    | 124    | 129    | 137    | 129   |
|                         | Inventory turnover (times)                                     | 1.04   | 0.98   | 1.28   | 1.47   | 1.51   | 1.64  |
|                         | Accounts payable turnover (times)                              | 6.13   | 13.64  | 16.40  | 10.69  | 6.98   | 5.64  |
|                         | Average days in sales  | 351  | 372    | 285    | 248    | 242    | 223   |
|                         | Real estate, plant and equipment turnover (times)              | 1.09   | 1.04   | 1.24   | 1.43   | 1.27   | 1.16  |
|                         | Total assets turnover (times)                                  | 0.40   | 0.35   | 0.40   | 0.43   | 0.44   | 0.48  |
| Profitability           | Return on total assets (%)                                     | 3.63   | 2.81   | 1.43   | 3.60   | 4.29   | 2.56  |
|                         | Return on equity (%)   | 5.64   | 4.35   | 1.56   | 5.43   | 6.39   | 3.56  |
|                         | Pre-tax income to paid-in capital (%) (Note 8)                 | 18.09  | 14.34  | 5.37   | 13.74  | 16.99  | 2.39  |
|                         | Net profit ratio (%)   | 7.44   | 6.23   | 2.04   | 6.93   | 8.71   | 4.73  |
|                         | Earnings per share (NT\$)                                      | 1.29   | 1.00   | 0.35   | 1.26   | 1.45   | 0.21  |
| Cash flow               | Cash flow ratio (%)  | (27.69)  | 28.60  | 53.05  | 67.90  | 72.35  | 59.32                                       |
|                         | Cash flow adequacy ratio (%)                                   | 4.25   | 13.71  | 34.00  | 42.86  | 96.16  | 548.09                                      |
|                         | Cash reinvestment ratio (%)                                    | (12.47)  | 8.62   | 13.26  | 10.70  | 11.11  | 2.76  |
| Leverage                | Operating leverage   | 2.00   | 4.30   | 5.15   | 2.54   | 2.11   | 1.86  |
|                         | Financial leverage   | 1.19   | 1.76   | 1.98   | 1.23   | 1.12   | 1.07  |

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

- Ratio of long-term capital to real estate, plant and equipment is reduced. The main reason is that 2016 board meeting passes the proposal of changing the purpose of land in Tree Valley Park, listing the real estate for investment under the category of real estate, plant and equipment. As a result, the real estate, plant and equipment are increased.
- The turnover rate of accounts payable is reduced by 3.71 times, because the Company operates well, and the profit is increased greatly. Therefore, it re-settles the payment extension terms with the suppliers, which increases the amount payable greatly. Accordingly, the turnover rate of accounts payable is reduced.
- Interest earned ratio, pre-tax income to paid-in capital, net profit ratio, and cash flow adequacy ratio are increased. The reason is that the business with low gross profit in high-risk region was reduced in 2016, moreover, the control of operating cost was strengthened. The proportion of high-profit miniature linear products was increased, and the profit margin was increased obviously as well. In addition, the proportion of linear product sales was reduced from 33.04% to 32.57%. However, the profit margin was greatly increased from 11.84% of the last period to 22.24%. Furthermore, the products priced based on US dollar and Euro takes up high proportion. Therefore, the appreciation of US dollar and euro in 2016 facilitated the increase of gross profit and profitability.

Note 1: The financial data of 2012, 2013, 2014, 2015 and 2016 had been audited by the CPA.

Note 2: The financial data as of March 31, 2017 has been audited by the CPA.

Note 3: Relevant operation capacity and profitability related financial ratio is calculated by the annual figure.

Note 4: 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) / net amount of real estate, plant and equipment.
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 / balance of average accounts payable (including accounts payable and notes payable caused by business).
  - (5) Average days in sale = 365 / inventory turnover ratio.
  - (6) Real estate, plant and equipment turnover ratio = net sales / net amount of average real estate, plant and equipment.
  - (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 5)
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) / (gross amount of real estate, plant and equipment + long-term investment + other non-current asset + working capital). (Note 6)
6. Leverage:
  - (1) Operating leverage = (net operating revenue – changed operating costs and expense) / operating profit. (Note 7)
  - (2) Financial leverage = operating profit / (operating profit – interest expense).

Note 5: 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 inconvertible 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 6: 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 7: Issuer shall divide the operating costs and operating expenses into the fixed and changeable one; if



estimation or subjective judgment is involved, it shall pay attention to the rationality and maintain the consistency.

Note 8: If the company share has no denomination or the denomination per share is not NT\$ 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, 2017 |
|-------------------------|--|------|--|--------|--------|--------|--------|----------------------|
|                         |  |      | 2012                                       | 2013   | 2014   | 2015   | 2016   |                      |
| Financial structure (%) | Debt Ratio   |      | 54.69                                      | 47.31  | 47.79  | 41.65  | 36.86  | Not applicable       |
|                         | Ratio of long-term capital to real estate, plant and equipment |      | 218.75                                     | 235.05 | 250.95 | 286.89 | 204.80 |                      |
| Solvency %              | Current ratio  |      | 160.04                                     | 197.00 | 181.09 | 229.34 | 254.41 |                      |
|                         | Quick ratio  |      | 130.01                                     | 143.64 | 139.43 | 178.05 | 195.49 |                      |
|                         | Interest earned ratio (times)                                  |      | 5.94                                       | 4.68   | 2.40   | 5.36   | 9.34   |                      |
| Operating performance   | Accounts receivable turnover (times)                           |      | 2.17                                       | 1.33   | 2.65   | 2.63   | 2.43   |                      |
|                         | Average collection days  |      | 168  | 274    | 138    | 139    | 150    |                      |
|                         | Inventory turnover (times)                                     |      | 3.29                                       | 1.81   | 2.39   | 2.70   | 2.53   |                      |
|                         | Accounts payable turnover (times)                              |      | 8.49                                       | 10.76  | 14.34  | 9.07   | 6.18   |                      |
|                         | Average days in sales  |      | 111  | 202    | 153    | 135    | 144    |                      |
|                         | Real estate, plant and equipment turnover (times)              |      | 1.40                                       | 0.67   | 1.01   | 1.19   | 1.04   |                      |
|                         | Total assets turnover (times)                                  |      | 0.48                                       | 0.22   | 0.32   | 0.35   | 0.36   |                      |
| Profitability           | Return on total assets (%)                                     |      | 3.40                                       | 2.73   | 1.42   | 3.60   | 4.33   |                      |
|                         | Return on stockholders' equity (%)                             |      | 5.64                                       | 4.35   | 1.56   | 5.43   | 6.39   |                      |
|                         | Pre-tax income to paid-in capital (%) (Note 8)                 |      | 17.87                                      | 13.27  | 4.38   | 12.99  | 16.09  |                      |
|                         | Net profit ratio (%)   |      | 5.84                                       | 9.75   | 2.56   | 8.56   | 10.91  |                      |
|                         | Earnings per share (NT\$ in dollars)                           |      | 1.29                                       | 1.00   | 0.35   | 1.20   | 1.45   |                      |
| Cash flow               | Cash flow ratio (%)  |      | 3.15                                       | 53.78  | 39.01  | 62.71  | 57.13  |                      |
|                         | Cash flow adequacy ratio (%)                                   |      | 31.70                                      | 52.28  | 75.47  | 81.13  | 132.50 |                      |
|                         | Cash reinvestment ratio (%)                                    |      | (0.80)                                     | 15.44  | 8.64   | 9.17   | 6.84   |                      |
| Leverage                | Operating leverage   |      | 1.90                                       | 2.49   | 4.35   | 2.53   | 1.99   |                      |
|                         | Financial leverage   |      | 1.11                                       | 1.74   | 1.99   | 1.24   | 1.12   |                      |

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

1. Ratio of long-term capital to real estate, plant and equipment is reduced. The main reason is that 2016 board meeting passes the proposal of changing the purpose of land in Tree Valley Park, listing the real estate for investment under the category of real estate, plant and equipment. As a result, the real estate, plant and equipment are increased.
2. The turnover rate of accounts payable is reduced by 2.89 times, because the Company operates well, and the profit is increased greatly. Therefore, it re-settles the payment extension terms with the suppliers, which increases the amount payable greatly. Accordingly, the turnover rate of accounts payable is reduced.
3. Interest earned ratio, pre-tax income to paid-in capital, net profit ratio, and cash flow adequacy ratio are

increased. The reason is that the business with low gross profit in high-risk region was reduced in 2016, moreover, the control of operating cost was strengthened. The proportion of high-profit miniature linear products was increased, and the profit margin was increased obviously as well. In addition, the proportion of large linear product sales was reduced from 30.09% to 29.60%. However, the profit margin was greatly increased if compared to that of the last period. Furthermore, the products priced based on US dollar and Euro takes up high proportion. Therefore, the appreciation of US dollar and euro in 2016 facilitated the increase of gross profit and profitability.

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 estimation or subjective judgment is involved, it shall pay attention to its rationality and maintain consistency.

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

**CHIEFTEK PRECISION CO., LTD.**

**Supervisor's Auditing Report**

Hereby to approve,

The Board of Directors prepares the Financial Statement, Operating Report, and Earnings Distribution Plan for the year of 2016. The undersigned PwC TW CPA LIN TZU-SHU and LIU TZU-MENG have duly audited the 2016 Financial Statement, and issued recorded unqualified opinion auditing report. All statistical forms shall be compiled in accordance with the law after being reviewing by the supervisors. Any discrepancies shall be reported to the superior in accordance with Article 219 of the *Company Law*.

With respect,

CHIEFTEK PRECISION CO., LTD. 2017 SHAREHOLDERS' MEETING

CHIEFTEK PRECISION CO., LTD.

Supervisor: KUANG HSI-HUI

Supervisor: LI MEI

Supervisor: TSENG HSU-WEN

March 23, 2017

**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                   | 2016      | 2015      | Increase (decrease) |           |
|---|-----------|-----------|---------------------|-----------|
|   | Amount    | Amount    | Amount              | %         |
| Current assets                              | 1,199,483 | 1,195,278 | 4,205               | 0.35%     |
| Real estate, plant and equipment            | 892,019   | 661,307   | 230,712             | 34.89%    |
| Intangible assets                           | 68,707    | 53,104    | 15,603              | 29.38%    |
| Other assets                                | 36,164    | 366,567   | (330,403)           | (90.13%)  |
| Total assets                                | 2,196,373 | 2,276,256 | (79,883)            | (3.51%)   |
| Current liabilities                         | 440,085   | 446,440   | (6,355)             | (1.42%)   |
| Non-current liabilities                     | 397,872   | 510,285   | (112,413)           | (22.03%)  |
| Total liabilities                           | 837,957   | 956,725   | (118,768)           | (12.41%)  |
| Equity attributable to owners of the parent | 1,358,293 | 1,319,531 | 38,762              | 2.94%     |
| Capital stock                               | 620,455   | 592,338   | 28,117              | 4.75%     |
| Capital reserves                            | 463,051   | 463,051   | -                   | 0.00%     |
| Retained earnings                           | 399,259   | 370,662   | 28,597              | 7.72%     |
| Other equity interest                       | (5,928)   | 12,024    | (17,592)            | (149.30%) |
| Treasury stock                              | (118,544) | (118,544) | -                   | 0.00%     |
| Non-controlling interests                   | 123       | -         | 123                 | -         |
| Total equity                                | 2,196,373 | 1,319,531 | 876,842             | 2.95%     |

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

1. Real estate, plant and equipment and other assets are reduced. The main reason is that 2016 board meeting passes the proposal of changing the purpose of land in Tree Valley Park, listing the real estate for investment under the category of real estate, plant and equipment. Moreover, the expense of outsourcing development product is increased.
2. Non-current liabilities and total liabilities are reduced. The main reason is that a long-term loan of NT\$153,170 thousand has been repaid.
3. Other equity interest is reduced. The main reason is that the cumulative translation adjustment of the investment target company adopting equity method is negative number.

## II. Analysis of Financial Performance

### (A) Comparative analysis table of financial performance:

Unit: NT\$ in thousand

| Accounting subject \ Year  | 2016     | 2015      | Increase (decrease) |           |
|--|----------|-----------|---------------------|-----------|
|  | Amount   | Amount    | Amount              | %         |
| Sales revenue  | 982,536  | 1,021,983 | (39,447)            | 3.86%     |
| Operating margin   | 354,717  | 306,404   | 48,313              | 15.77%    |
| Operation profit and loss  | 124,333  | 96,156    | 28,177              | 29.30%    |
| Non-operating income and expense                                 | (18,925) | (14,741)  | (4,184)             | 28.38%    |
| Net profit before tax  | 105,408  | 81,415    | 23,993              | 29.47%    |
| Net profit of the term to continuous operation unit              | 85,534   | 70,782    | 14,752              | 20.84%    |
| Loss of discontinued operation                                   | -        | -         | -                   | -         |
| Net profit (loss) of the term                                    | 85,534   | 70,782    | 14,752              | 20.84%    |
| Other comprehensive ( loss) Income (net profit after tax)        | (18,714) | (6,296)   | (12,418)            | 197.24%   |
| Total comprehensive income (loss)                                | 66,820   | 64,486    | 2,334               | 3.62%     |
| Net profit attributable to the owner of parent company           | 85,583   | 70,782    | 14,801              | 20.91%    |
| Non-controlling interest's net profit                            | (49)     | -         | (49)                | (100.00%) |
| Parent company owner's consolidated profit                       | 66,879   | 64,486    | 2,393               | 3.71%     |
| Comprehensive profit attributable to the owner of parent company | (59)     | -         | (59)                | (100.00%) |
| Earnings per share (NT\$)  | 1.45     | 1.26      | 0.19                | 15.08%    |

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

1. Due to the change of proportion of product types in 2016, the profit margin of large linear products is greatly increased from 11.84% of the last period to 22.24%. Moreover, proportion of the products priced based on US dollar and Euro is increased, which is influenced by the appreciation of foreign currency. Besides, the Company carries out the thrift policy, and controls the expenses strictly. As a result, the operation profit and loss, net profit before tax, net profit of the term to continue business unit, net profit of the term to continuous operation unit, net profit attributable to the owner of parent company, comprehensive profit attributable to the owner of parent company and earnings per share are increased accordingly.
2. Non-operating income and expense is reduced if compared to that of the last period. The main reason is due to the impact of appreciation of US dollar and Euro, which results in high net loss of foreign currency exchange.

### (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) Liquidity Analysis for the Current Year

Unit: NT\$ in thousand

| Accounting subject \ Year                | 2016      | 2015      | Increase (decrease) |           |
|--|-----------|-----------|---------------------|-----------|
|  | Amount    | Amount    | Amount              | %         |
| operating activities inflows (outflows)  | 318,400   | 303,142   | 15,258              | 5.03%     |
| Investment activities inflows (outflows) | (43,404)  | (20,951)  | (22,453)            | 107.17%   |
| Financial activities inflows (outflows)  | (198,203) | (292,781) | 94,578              | (32.30%)  |
| Net cash inflows (outflows)              | 56,581    | (14,717)  | 71,298              | (484.46%) |

1. Net cash inflow of operating activities is increased: The main reasons are that the Company operates well in 2016, and the profit is increased greatly. Therefore, it re-settles the payment extension terms with the suppliers, which increases the amount payable greatly.

2. Net cash inflow decrease of investment activities is increased: The main reason is that CSM Maschinen GmbH continuously develops new products, so the intangible assets are increased.

3. Net cash outflow increase of financial activities is decreased: mainly due to good profit in 2016: The main reasons are that the short/long-term loan of NT\$ 170,258 thousand was repaid in 2015 though the repayment amount was reduced by NT\$89,229 thousand if compared to that of 2016. It obviously reduced the amount of loan and liabilities.

#### (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 |
| 506,430  | (85,000)  | 350,000                             | 71,430                             | -                                  | -               |

Analysis of cash flow change for the coming year:

1. Operating activities: it is estimated that turnover will grow apparently, and the amount of purchases and accounts receivable will increase accordingly. However, the profit will be increased, which will result in the net cash outflow in operating activities.

2. Investment activities: it is estimated that the “Project of New Plant Construction in Tree Valley Park” will be launched in 2017, causing net cash outflow in investment activities over NT\$ 200,000 thousand.

3. Financial activities: it is estimated that the “Project of New Plant Construction in Tree Valley Park” to be launched in 2017 will increase the long-term loan. However, the profits might be increased accordingly, which can be used to repay some amortization of long-term loan and short-term loan, which causes the net cash outflow in financial activities.

(C) Improvement plan for illiquidity: since the Company’s business is in profit 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. Moreover, in the “Project of New Plant Construction in Tree Valley Park” to be launched in 2017, it is estimated that the funds will come from the owned fund, bank financing (or syndicated loan) or other fund-raising method. Currently, as passed in the board meeting on May 9, 2017, E.SUN Bank is entrusted as the arranger to organize the syndicated loan bank club, and applying the loan with the total amount of NT\$1 billion granted by the syndicated loan

bank club. After the financing is completed, it can be provided for the project of new plant construction in Tree Valley Park and the adequate long-term operating fund for the future.

## VI. Impact of Major Capital Expenditure Items on Financial Business

### (A) Reason for plant construction and benefits

| Plant area                | Products manufactured    | Annual capacity | Main reason for plant construction | Remarks |
|---------------------------|--------------------------|-----------------|------------------------------------|---------|
| Plant of Tree Valley Park | Electromechanical device | (Note)          | Develop new technologies/products  |         |

(Note) The construction license was obtained on April 26, 2017, which is waiting for contracting and construction. The annual capacity is still in planning.

1. Main reason for plant construction: It plans to construct plant on the land of Tree Valley Park, with the aim to develop and manufacture the technology related to transmission device (such as: motor core axis, harmonic drive and other transmission components), and the prototype of Turnkey mass production machine derived from such application technology together with the subsidiary CSM Maschinen GmbH, so as to meet the operating demands of the Company.
2. Benefits: Expand operating scale and increase turnover.

### (B) The impact on the Company's financial business

The Company's debt ratio on December 31, 2016 is 38.33%, significantly decreased 3.7% compared to 42.03% on December 31, 2015, which shows the profit growth of the Company and the increasing amount of loan repayment. It implies the excellent operating performance, the conservative and stable operation strategies.

In the "Project of New Plant Construction in Tree Valley Park" to be launched in 2017, it is estimated that the funds will come from the owned fund, bank financing (or syndicated loan) or other fund-raising method. Currently, as passed in the board meeting on May 9, 2017, E.SUN Bank is entrusted as the arranger to organize the syndicated loan bank club, and applying the loan with the total amount of NT\$1 billion granted by the syndicated loan bank club. After the financing is completed, it can be provided for the project of new plant construction in Tree Valley Park and the adequate long-term operating fund for the future. This can prevent the situation that the short-term fund is used to support long-term demands, and can also provide more adequate operating funds for the future. In addition, the active participation of the syndicated loan bank club indicates their recognition towards the operating performance, and their confidence towards the future development of the Company.

## 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 "Procedures for Acquisition or Disposal of Assets"; 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:



| Description<br>Item                           | 2016 profit<br>or loss<br>amount | Main reason of profit or loss   | Improvement<br>plans                | investment plans for<br>the coming year |
|---|----------------------------------|---|-------------------------------------|---|
| CHIEFTEK<br>PRECISION<br>HOLDING CO.,<br>LTD. | 7,264                            | Chieftek Precision (Hong Kong) Co., Limited. and CHIEFTEK PRECISION USA CO., LTD. investment gains and losses | -                                   | Depending on the operating conditions   |
| cpc Europa GmbH                               | (5,845)                          | Depreciation of listed inventory and inactive losses and operation does not reach economic scale.             | Developing new business actively    | Depending on the operating conditions   |
| CSM Maschinen GmbH                            | (244)                            | Expense generated from operation  | In the stage of product development | Depending on the operating conditions   |
| Chieftek Precision (Hong Kong) Co., Limited.  | 3,787                            | Chieftek Machinery (Kunshan) Co., Ltd. investment profit  | -                                   | Depending on the operating conditions   |
| CHIEFTEK PRECISION USA CO., LTD.              | 3,480                            | Growth of turnover.   | -                                   | Depending on the operating conditions   |
| Chieftek Machinery (Kunshan) Co., Ltd.        | 3,788                            | 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 2016 and 2015 annual interest payment is NT\$12,645 thousand and NT\$17,997 thousand respectively, accounting for 1.29% and 1.76% of turnover respectively. The Company has achieved stable profit and growth in the past two years, so the loan amount and interest rate keep reducing. Moreover, the Company regularly evaluates the interest rate of the bank loan and keeps close relationship with the bank, so as to obtain the preferential interest rate and reduce the interest expense. Therefore, the change of interest rate doesn't show material influence on the Company.

#### 2. Foreign exchange rates:

The Company's 2016 and 2015 net loss on currency exchange is NT\$10,041 thousand and NT\$3,427 thousand respectively, accounting for (1.02%) and (0.34%) of net income respectively. As 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. However, the great appreciation of NT dollar in the first quarter of 2017 seriously reduced the profit of the Company. 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. However, to respond to the risk of changes in the spot exchange rate, the Company will collect the information related to the changes of exchange rate more positively, so as to master and analyze the trend of foreign exchange rate and take appropriate hedging actions, reducing the impact of risk brought by exchange rate.

#### 3. Inflation:

In terms of the profits obtained in 2016 and 2015, no high inflation occurred, so the impact of inflation does not currently have a significant impact on the Company's profits and business operations. Only the Company still continues to pay close attention to the economic environment and the volatility of the market environment, with the expectation to avoid the adverse impact of inflation and deflation

(B) Policies, Main Causes of Gain or Loss with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions:

The Company is dedicated to the operation of related businesses, and its financial policies are based on the conservative principle. The Company did not engage in any high-risk or high-leveraged investments. As for lending funds to others, endorsement and guarantee, as well as the transaction of derivative products, it is subject to the "Operation Procedure for Endorsement and Guarantee", the "Operation Procedure of Lending Funds to Others", "Procedures for Financial Derivatives Transactions" and the "Procedures for Acquisition or Disposal of Assets" passed by the board of directors in addition the cautious evaluation, regular reporting and monthly control.

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

The Company has invested NT\$43,775 thousand of R&D in 2016, increasing by NT\$6,790 thousand compared to NT\$36,985 thousand in 2015. The increase rate is 18.36%.

**cpc** is developing towards ironcore motor and ironless motor, and is stepping from the mechanical field to the professional system in electromechanical integration field. It is transforming from a manufacturer of parts, components and modules to a professional provider of platform and subsystem. Each product is developed and finished on its own independently.

To meet the operating demands of the Company in the future, it will develop and manufacture the technology related to transmission device (such as: motor core axis, harmonic drive and other transmission components), and the prototype of Turnkey mass production machine derived from such application technology together with the subsidiary CSM Maschinen GmbH. Therefore, it will continuously invest into large amount of manpower and resources to keep the pursuit of research and development. In 2017, it plans to increase the budget of R&D expense to more than NT\$60,000 thousand.

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

In 2016, the government carries out the "one fixed day off and one flexible rest day" policy, which increases the cost of manpower. However, the business of the Company can meet the requirements of laws and regulations stipulated by the competent authority. Therefore, the financial condition and businesses of the Company is not influenced by the changes in critical policies and laws home and abroad in the last year and by the date of printing the annual report.

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

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 and combine technology and industry's long-term development trend, so as to improve the product quality and realize the Company's sustainable operation and growth.

The industry or market of the Company doesn't have any material change in manufacturing or related technologies, so there is no event that shows material influence on the financial condition and businesses of the Company.

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

1. In terms of the corporate image, the Company highly values integrity and never pursues illegal profits. With professional R&D team and international operation pattern, it formulates a refreshing image in the industry. Moreover, with the goals of promoting social economy, improving environmental prosperity and guaranteeing staff welfare, it strictly follows the provisions of laws and regulation stipulated by the competent authority.
2. The Company has good corporate image. In the 3<sup>rd</sup> corporate governance assessment, it

ranked in the top 20% among the new companies, and won the “Improvement Award” for encouragement. The Company has good corporate image. In the 3<sup>rd</sup> corporate governance assessment, it ranked in the top 20% among the new companies, and won the “Improvement Award” for encouragement. It indicates the efforts made in the field of corporate governance. Moreover, it has won the recognition of assessment system, and even greatly improved the corporate image. Therefore, 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:

The Company cautiously implements the plant expansion plan. Besides strengthening the financial structure through capital increase out of earnings, it also cooperates with bank club to acquire adequate funds. Moreover, the operating team of the Company owns rich industrial experience, understands the industrial demands for products, and can fully make use of the utilization rate of the new plant. The plant expansion of the Company goes through the complete, cautious and professional evaluation process. For any major capital expenditures, it shall report to director’s meeting and fully considers the investment returns and possible risks.

To achieve the business goal of sustainable operation, the Company completed the phase-II plant construction in Tainan Science Park in 2012, with the expectation to get rooted in industry of key linear motion parts. In addition, it plans to launch the “Project of New Plant Construction in Tree Valley Park” in 2017. Please refer to “IV. Impact of Major Capital Expenditure Items on Financial Business” in Section VII. Review of Financial Conditions, Financial Performance, and Risk Management.

(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 2016 is the subsidiary CHIEFTEK PRECISION (Kunshan) with 100% shareholding, which is accounting for 29.28% 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 of over-concentrated sales. As for the merged 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 affiliated company by the date of printing the annual report, 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.**

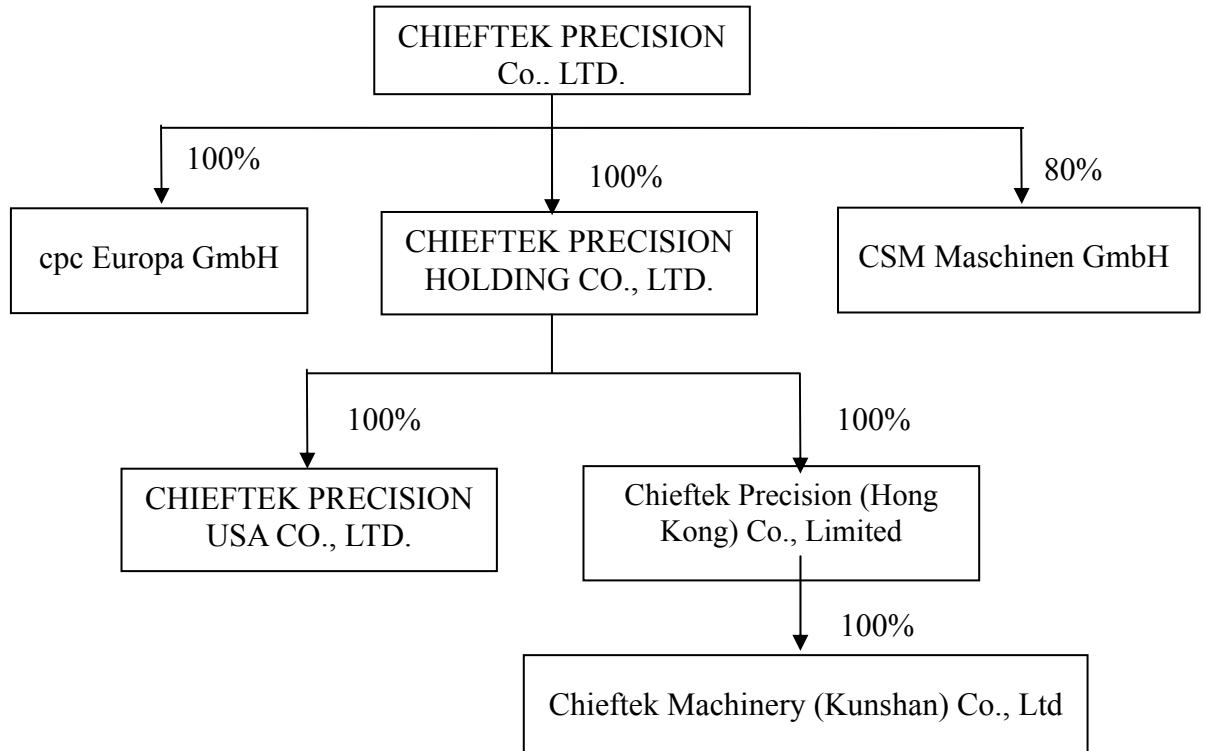
## VIII. Special notes

### 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, 2017; 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 subsidiary CHIEFTEK PRECISION (HONG KONG) CO.,LTD 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 | The Company adopts 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, 2017 Unit: US\$ /EUR

| 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                | USD 6,760,000   | Investment holding  |
| cpc Europa GmbH                       | January 19,2010    | Industrial park 314,78244 Gottmadingen Germany                 | EUR 2,500,000   | Marketing positions in Europe and after-sales services              |
| CSM Maschinen GmbH                    | March 07,2016      | Justus-von-Liebig Str.12,86899 Landsberg,Germany               | EUR 25,000      | 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 | USD 5,100,000   | Investment holding  |
| CHIEFTEK PRECISION USA CO.,LTD        | January 01,2008    | 4881 Murietta St., Chino, CA 91710, USA                        | USD 1,660,000   | 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                  | USD 5,100,000   | 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.<br>Representative: CHEN LI-FEN  | 6,760             | 100%               |
| cpc Europa GmbH                       | Director            | CHIEFTEK PRECISION CO., LTD.<br>Representative: CHEN LI-FEN  | non equity        | 100%               |
| CSM Maschinen GmbH                    | Director            | CHIEFTEK PRECISION CO., LTD.<br>Representative: CHEN LI-FEN  | non equity        | 80%                |
| CHIEFTEKPRECISION (HONG KONG) CO.,LTD | Director            | CHIEFTEK PRECISION HOLDING CO., LTD.<br>Representative: CHEN LI-FEN                                  | 5,100             | 100%               |
| CHIEFTEK PRECISION USA CO.,LTD        | Director            | CHIEFTEK PRECISION HOLDING CO., LTD.<br>Representative: CHEN LI-FEN                                  | 1,660             | 100%               |
| Chieftek Machinery (Kunshan) Co., Ltd | Director Supervisor | CHIEFTEKPRECISION (HONG KONG) CO.,LTD<br>Representative: CHEN LI-FEN<br>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    | 273,661      | 58,050            | 215,611   | -       | -             | 7,264                               | 0.33                                  |
| cpc Europa GmbH                        | EUR2,500    | 101,025      | 111,274           | (10,249)  | 156,152 | (6,884)       | (5,845)                             | non equity                            |
| CSM Maschinen GmbH                     | EUR 25      | 37,576       | 36,961            | 615       | -       | (244)         | (244)                               | non equity                            |
| CHIEFTEK PRECISION (HONG KONG) CO.,LTD | USD 5,100   | 215,173      | 119               | 215,054   | -       | (1)           | 3,787                               | 0.23                                  |
| CHIEFTEK PRECISION USA CO.,LTD         | USD 1,660   | 80,905       | 22,306            | 58,599    | 126,077 | 6,806         | 3,480                               | 0.65                                  |
| Chieftek Machinery (Kunshan) Co., Ltd  | RMB32,134   | 306,512      | 91,343            | 215,169   | 267,732 | 11,747        | 3,788                               | 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**

