

Stock Code: 1597

Chieftek Precision Co., LTD.

2017 Annual Shareholders' Meeting Handbook

Time : 9:00 a.m., June 22, 2017

**Place : 2F.-1, No.26, Nanke 3rd Rd., Xinshi Dist., Tainan City 744, Taiwan,
R.O.C. (Southern Science Park Industries)**

(This document is prepared in accordance with the Chinese version and is for reference only. In the event of any inconsistency between the English version and the Chinese version, the Chinese version shall prevail.)

TABLE OF CONTENTS

1. Meeting Procedure	1
2. Meeting Agenda	2
(1) Report Items	3~4
(2) Proposed Resolutions	5~6
(3) Directors Election	7~9
(4) Other Business and Special Motion	10
3. Attachment	
(1) Business Report	11~14
(2) Supervisors' Review Report	15
(3) Employees' Profit Sharing Bonus and Directors and Supervisors' Compensation	16
(4) Independent Auditors' Report	17~38
(5) Profit Distribution Proposal	39

Chieftek Precision Co., Ltd.
2017 annual Shareholders' Meeting
Meeting Procedure

1. Report the number of attendance
2. Call Meeting to Order
3. Chairman's Address
4. Report Items
5. Proposed Resolutions
6. Discussion and Election Items
7. Special Motion
8. Meeting Adjourned

Chieftek Precision Co., Ltd.

2017 Annual Shareholders' Meeting Agenda

1. Time: 9:00 a.m., June 22, 2017
2. Place: 1F.-1, No.26, Nanke 3rd Rd., Xinshi Dist., Tainan City 744, Taiwan,R.O.C. (Southern Science Park Industries)
3. Attendants: Call the Meeting to Order (Report the number of attendance)
4. Chairman's Address
5. Report Items:
 - (1) To Report the Business of 2016.
 - (2) Supervisors' Review Report on the 2016 Financial Statements.
 - (3) To Report 2016 Employees' Profit Sharing Bonus and Directors and Supervisors' Compensation.
 - (4) To Report the Treasury Stock of Buyback.
 - (5) To Report the 2016 Endorsement and Guarantee.
6. Proposed Resolutions:
 - (1) To accept 2016 Business Report and Financial Statements.
 - (2) To Approve the Proposal for Distribution of 2016 Profit.
7. Discussion and Election Items:
 - (1) To Amendment the Articles of Incorporation.
 - (2) To Amendment the Procedures for Acquisition and Disposal of Assets.
 - (3) To elect Directors and Supervisors.
 - (4) To Release the Prohibition on New Directors from Participation in Competitive Business.
8. Special motion
9. Meeting Adjournment

Report Item

1. To Report the business of 2016.

Explanatory Notes:The 2016 Business Report, please refer to the Handbook of the 2017 Annual Shareholders' Meeting.

2. Supervisors' Review Report on the 2016 Financial Statements.

Explanatory Notes:The 2016 Supervisors' Review Report, please refer to the Handbook of the 2017 Annual Shareholders' Meeting.

3. To Report 2016 Employees' Profit Sharing Bonus and Directors and Supervisors' Compensation.

Explanatory Notes:The 2016 Employees' Profit Sharing Bonus and Directors and Supervisors' Compensation Report, please refer to the Handbook of the 2017 Annual Shareholders' Meeting.

4. To Report the Treasury Stock of Buyback.

Explanatory Notes:The Treasury Stock of Buyback is as following.

Batch Order	The first period
Purpose of the buy-back	Transfer to employees
Timeframe of buy-back	From November 12, 2014 to January 9, 2015
Price range	NTD 22.30 to 50.40 dollars per share
Class, quantity of shares bought back	3,000,000 Common shares
Value of shares bought-back	118,543,503 dollars
Shares sold/transferred	0
Accumulated number of company shares held	3,000,000 Common shares
Percentage of total company shares (*Note) held(%)	5.06%

*Note: Total shares issued 62,045,489 Common shares as of April 24, 2017.

5. To Report the 2016 Endorsement and Guarantee.

Explanatory Notes:

(1) As of December 31, 2016, The Company provision of endorsement and guarantee to others as following:

Company Name	Endorsement Ending Balance (in NT\$ thousands)	Amount Actually Drawn (in NT\$ thousands)	The relationship with headquarters
cpc Europa GmbH	\$ 128,820	\$ 62,715	The Subsidiary that shareholding 100% shares

(2) The above-mentioned amount is not exceed the limit of rules.

Proposed Resolutions

1. To accept 2016 Business Report and Financial Statements.

Proposed by the Board of Directors

Explanatory Notes:

- (1) The Company's Financial Statements, including the balance sheet, the statement of comprehensive income, the statement of changes in equity, and statement of cash flows, were audited by independent auditors, Ms. Tzu-Yu, Lin and Mr. Tzu-Meng, Liu of PricewaterhouseCoopers (PwC), Taiwan. Also Business Report and Financial Statements have been approved by the Board of Directors and examined by the supervisors of the Company.
- (2) The 2016 Business Report could be referred to the Chinese version Appendix 2, 3 and 4, independent auditors' audit report, and Financial Statements by PwC could be referred to the Handbook for the 2017 Annual Shareholders' Meeting.

Resolution:

2. To Approve the Proposal for Distribution of 2016 Profit.

Proposed by the Board of Directors

Explanatory Notes:

- (1) The 2016 profit distribution program of the Company has been submitted by Board on March 23, 2016, in accordance with Company Act and the Articles of Incorporation of the Company.
- (2) The Company plans to distribute dividends of NT\$28,116,900 to shareholders and according to the actual flow of the number of shares outstanding to calculate per share allotment of about NT \$1.0, please refer to the Handbook for the 2017 Annual Shareholders' Meeting for the 2016 Profit distribution.

- (3) Actual placement and number of shares will depend on the number of registered shareholders on the ex-rightsdate. The cash dividend distribution will be calculated to the nearest NT dollar. After the above mentioned method were approved by regular shareholders' meeting. The ex-dividend date will be decided by the Board of Directors meeting after approval by the competent authority. Allotment of fractional shares (less than one share) shall be paid in cash, and the Chairman or his designated representative may subscribe at par value. Actual placement and number of shares will depend on the number of registered shareholders on the ex-rightsdate.
- (4) Before ex- right date if buying back shares the transfer of treasury shares of the Company, cancellation or other reasons prior to the date of ex-right affect the number of shares of the outstanding shareholders and change the allotment rate, company will submitted to the shareholder's meeting and the Board is authorized to make such adjustments.

Resolution:

Discussion and Election Items

1. To Amend the Articles of Incorporation.

Proposed by the Board of Directors

Explanatory Notes:

- (1) Amendment in accordance with Article 192-1 of the Company Act, the letter issued by the Financial Supervisory Commission, with the issue number #1060000381 on January 18, 2017, and the letter issued by the Taipei Exchange, with the issue number #1060001575 on January 24, 2017, the company plans to amend certain provisions in the Articles of Incorporation.
- (2) Please refer to the Handbook for the 2017 Annual Shareholders' Meeting for the comparison tables of the articles to be amended.

Resolution:

2. To Amend the Procedures for Acquisition and Disposal of Assets.

Proposed by the Board of Directors

Explanatory Notes:

- (1) To meet the recent amendment made to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" in accordance with the letter issued by the Financial Supervisory Commission, with the issue number #1060001296 on February 9, 2017 and #1060004523 on February 13, 2017, the company plans to amend certain provisions in the "Procedures for Acquisition and Disposal of Assets."
- (2) Please refer to the Handbook for the 2017 Annual Shareholders' Meeting for the comparison between current and amended Articles of the company's "Procedures for Acquisition and Disposal of Assets."

Resolution:

3. To Elect Directors and Supervisors.

Proposed by the Board of Directors

Explanatory Notes:

- (1) The tenure of Directors and Supervisor's expired on June 16, 2017. According to the Company Act article, the company proposes to duly elect.
- (2) According to the Articles of Incorporation and the board of Directors proposed on March, 23, 2017. The company proposes to duly elect new eight Board members at this year's Annual Shareholders' Meeting (including three independent Directors, under candidate nomination system), and three Supervisors. The tenure of newly elected directors and supervisors shall commence on June 22, 2017 and expire on June 21, 2020.
- (3) According to the Company of Procedures for Election of Directors and Supervisors, please refer to the Handbook of the 2017 Annual Shareholders' Meeting.
- (4) The qualification of the nominated Independent Directors has been reviewed by the Board meeting on May 9, 2017. The Independent Directors shall be elected from the nominated candidates. The Independent Director candidates' academic background, experience, number of shares held and relevant information are refer to the Handbook of the 2017 Annual Shareholders' Meeting.

Resolution:

4. To Release the Prohibition on New Directors from Participation in Competitive Business.

Proposed by the Board of Directors

Explanatory Notes:

- (1) According to the Company Act article 209, a director who acts for himself or on behalf of another person that is within the scope of the company's business, shall secure approval for such at the meeting of shareholders. (Even if the director of the mainland subsidiary is the same.)
- (2) Based on the Company operating considerations, and release the Prohibition on New Directors from Participation in Competitive Business.

Resolution:

Special motion
Meeting Adjournment

Chieftek Precision Co., Ltd.

2016 Business Report

Due to the unstable political environment(Global and Cross-strait Relations), the global economy constantly depressed and the effects on the dramatic increase of uncertainty and risk elements, the implement of the revised domestic Labor Law 「one fixed off and one flexible rest day」etc. also led to the chaos of operation. In such tough situation, all members of CPC Group regarded the decrease of risk as the main operations guide. After continuously endeavoring, it showed that the high-risk region and low-profit business has been decreased significantly and the control of operations cost has been strengthened which resulted in 3.86% decrease of consolidated revenue in 2016 compared with last year performance, while the profit before tax dramatically increased to 29.47%.

2016 Business Report is as follow

1. The result of Implementation of business plan

(1)Consolidated Statement of Comprehensive Income for the years ended December 31, 2016 and 2015.

Unit: NT\$ thousands

Items	For the years ended December 31		Increase (Decrease)
	2016	2015	
Sales revenue	982,536	1,021,983	(39,447)
Operating costs	(627,819)	(715,579)	(87,760)
Net operating margin	354,717	306,404	48,313
Operating expenses	(230,384)	(210,248)	20,136
Operating profit	124,333	96,156	28,177
Non-operating income and expenses	(18,925)	(14,741)	(4,184)
Profit before income tax	105,408	81,415	23,993
Income tax expense	(19,874)	(10,633)	(9,241)
Profit for the year	85,534	70,782	14,752
Other comprehensive income (loss)	(18,714)	(6,296)	(12,418)
Comprehensive income for the year	66,820	64,486	2,334

We could understand from above

I. Turnover

- (i) Net consolidated revenue for 2016 of NT\$982,536 thousand, which decreased by NT\$39,447 thousand, compared with 2015 of NT\$982,536 thousand. The decreasing rate was 3.86%.
- (ii) If comparing the sales by region, the growth rate was 1.55% in mainland China and 5.88% in Europe. It decreased by 6.70% in American region and increased by 15.88% for Taiwan domestic sales and other regions decreased by 24.24% (As parts of foreign clients were influenced by the large devaluation of currency, the consideration of the security of receivable account's recycling, strict control of shipments, it led to the decline in turnover.)

II. Profit

- (i) Consolidated operating margin in 2016 was NT\$354,717 thousand, compared with NT\$306,404 thousand in 2015 which was increased NT\$48,313 thousand. The increasing rate was 15.77%.
 - (ii) Profit before tax was NT\$105,408 thousand in 2016, which decreased by NT\$23,993 thousand with comparison of NT\$982,536 thousand in 2015. The increasing rate was 29.47%. The main reasons is as following:
 - A. The gross margin of Miniature Linear Guides increased and its percentage of revenue went up as well.
 - B. The effects on the destocking of aggregate inventory was significant and the amount of aggregate inventory has been reached historic lows. The revenue was support by the period outputs which improved the capacity utilization rate and increased the gross margin and profitability subsequently.
 - (iii) Basic earnings per share was NT\$1.45 for the year ended December 31,2016.
- (2)Parent Company Only Statement of Comprehensive Income for the years ended December 31, 2016 and 2015.

Unit: NT\$ thousands

Items	For the years ended December 31		Increase (Decrease)
	2016	2015	
Sales revenue	784,654	826,513	(41,859)
Operating costs	(556,953)	(610,131)	(53,178)
Gross profit	227,701	216,382	11,319
Unrealized gain from inter-affiliate accounts	(61,186)	(76,292)	(15,106)
Realized gain from inter-affiliate accounts	76,292	73,676	2,616
Net operating margin	242,807	213,766	29,041
Operating expenses	(134,891)	(124,230)	(10,661)
Operating profit	107,916	89,536	18,380
Non-operating income and expenses	(8,108)	(12,615)	4,507
Profit before income tax	99,808	76,921	22,887
Income tax expense	(14,225)	(6,139)	(8,086)
Profit for the year	85,583	70,782	14,801
Other comprehensive income (loss)	(18,704)	(6,296)	(12,408)
Comprehensive income for the year	66,879	64,486	2,393

(3) Parent Company Only of Profitability Analysis for the 2016 and 2015

Items	2016	2015
Return on Total Assets (%)	4.32%	3.60%
Return on Equity (%)	6.39%	5.43%
Operating Income to Paid-in Capital Ratio (%)	17.39%	15.12%
Pre-tax Income to Paid-in Capital Ratio (%)	16.09%	12.99%
Net Margin (%)	10.91%	8.56%
Basic Earnings Per Share (NT\$)	1.45	1.20

2. Enterprise Development

Chieftek Precision Co Ltd devotes its efforts towards manufacturing of high quality linear motion components, which not only focuses on sustainable development, but also applies its R&D effort into the region of Industry 4.0:

- (1) List transmission components and start to involve in the mass production of the Miniature Sliders for biomedical industry and even the Linear Sliders for large-scale precise machinery.
- (2) Driver components consist of the linear motion of Linear Motor and DD Motor with rotary system and Miniature Motor which can be widely applied in the process of anthropomorphic robot.
- (3) The production of the components of Magnetic Encoder and the supply of high precise positioning system.
- (4) The control components shows on Servo Driver with high-speed communications, the convey of high flexible utility interface and the combination with the cloud interface which connects the techniques of industry and internet into application.

In future, Chieftek Precision Co Ltd will develop from linear models which consist of own technology products to the higher added value production line including system devise, industrial robot and even services and medical robots, and strive to integrate high precise components in industry such as manufacturing facility, automotive industry, sensor components for precise devise and manufacturing automation, instant control and super complex logical operations system into consumption markets and intelligent life of human beings.

Chieftek Precision Co., Ltd.
2016 Supervisors' Review Report

Hereby to approve,

The undersigned PwC TW LIN TZU-YU and LIU TZU-MENG have duly audited the Operating Report, Financial Statements and Schedule of Earnings Distribution prepared by the supervisor for the year of 2016, and issued recorded unqualified opinion auditing report. All statistical forms shall be compiled in accordance with the law after being reviewing by the Supervisor. Any discrepancies shall be reported to the superior in accordance with Article 219 of the Company Law.

With respect,

CHIEFTEK PRECISION CO., LTD. 2017 SHAREHOLDERS' MEETING

CHIEFTEK PRECISION CO., LTD.

Supervisor: KUANG HSI-HUI

Supervisor: LI MEI

Supervisor: TSENG HSU-WEN

March 23, 2017

**2016 Employees' Profit Sharing Bonus
and Directors and Supervisors' Compensation**

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

According to the provisions of the revised articles of association, this company should distribute 3% to 8% of profit of current year to reward employees, and should distribute no more than 3% of profit of current year to reward directors and supervisors. But when the company has accumulated loss, it should be covered. The employee remuneration should be distributed in cash or stock, and those who are distributed with cash or stock should meet certain conditions of being affiliated to the company employees. These certain condition should be formulated by the board of directors.

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

This company passed the employee remuneration of NT\$8,975,293 (8% profit before income tax for the year), and the remuneration amount of directors, supervisors of NT\$3,365,735 (3% profit before income tax for the year) through the resolution of the board of directors on March 23, 2017. Such remuneration should be distributed in cash, and the difference with the annual estimated amount of recognized expenses were employee remuneration \$30,855 and directors, supervisors remuneration \$11,571.

Independent Auditors' Report
(Consolidated Financial Statements)

To the Board of Directors and Shareholders of CHIEFTEK PRECISION CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of CHIEFTEK PRECISION CO., LTD. and its subsidiaries (collectively referred herein as the "Group") as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (R.O.C GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Adequacy of allowance for inventory market price decline of individually identified obsolete or damaged inventories

Description

Please refer to Note 4(10),“Inventories” for accounting policies on inventory, Note 5,“Critical accounting judgements, estimates and key sources of assumption uncertainty” for the uncertainty of significant accounting estimates and assumptions applied on inventory valuation, and Note 6(3),“Inventories” for details of allowance for inventory market price decline. As of December 31, 2016, inventory and allowance for inventory market price decline amounted to NT\$391,878 thousand and NT\$73,313 thousand, respectively.

The Group is primarily engaged in the manufacture and sale of linear motion guide and slide. Due to the demand for high quality products, there is a risk of market price decline and obsolescence of inventories. The Group recognizes inventories at the lower of cost and net realizable value, and the net realizable value is determined based on historical data of closeout inventory and range of discount. Given the uncertainty in the estimation of net realizable value and the significance of the balance of inventory and allowance for inventory market price decline to the financial statements, we consider the allowance for inventory market price decline a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Understanding the operations and industry of the Group to assess the reasonableness of policies and procedures on allowance for inventory market price decline, including the consistency of inventory classification used in determining net realizable value.
- B. Obtaining the inventory list which management used in calculating the lower of cost and net realizable value, checking randomly for the accuracy in calculating net realizable value of inventory, and discussing with management and checking relevant evidence to check the reasonableness of the amount of allowance for inventory market price decline.

Cut-off of export sales revenue

Description

Please refer to Note 4(24),“Revenue recognition” for accounting policies on revenue recognition.

The Group is primarily engaged in domestic and export sales. Based on the Group’s accounting policy, revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer. The terms and conditions of the transaction vary with export customers, and the manual process of obtaining evidence of ownership transfer after delivery and judging the timing of revenue recognition are essential. As export sales involve manual process, the daily transaction amounts are voluminous, the timing of revenue recognition may not be in the proper period, and the transaction amounts around balance sheet date are material, we consider the cut-off of export sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Checking revenue recognition process, and examining revenue recognition basis and approval procedure to assess the accuracy of timing of export sales revenue recognition.
- B. Randomly checking export sales transactions around the balance sheet date, including ascertaining the trading conditions in contract, verifying the evidence of ownership transfer, checking and analysing subsequent export sales returns to ascertain whether the export sales revenue has been recorded in proper period.

Other matter – Parent company only financial report

We have audited and expressed an unqualified opinion on the parent company only financial statements of CHIEFTEK PRECISION CO., LTD. as at and for the years ended December 31, 2016 and 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with R.O.C GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with R.O.C GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be disclosed in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such disclosures.

Lin, Tzu-Shu
Independent Accountants
Liu, Tzu-Meng
PricewaterhouseCoopers, Taiwan
Republic of china
March 23, 2017

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 506,430	23	\$ 449,849	20
1150	Notes receivable, net		32,195	1	24,696	1
1170	Accounts receivable, net	6(2)	323,860	15	324,429	14
1200	Other receivables		1,925	-	1,504	-
1220	Current income tax assets	6(19)	-	-	13,837	1
130X	Inventory	5(1) and 6(3)	318,565	15	365,499	16
1410	Prepayments		16,508	1	15,464	1
11XX	Total current assets		1,199,483	55	1,195,278	53
Non-current assets						
1600	Property, plant and equipment	6(4)(5) and 8	892,019	41	661,307	29
1760	Investment property, net	6(4)(5) and 8	-	-	316,864	14
1780	Intangible assets	5(2), 6(6)(7)	68,707	3	53,104	2
1840	Deferred income tax assets	6(19)	21,286	1	23,545	1
1915	Prepayments for equipment	6(4)	5,837	-	20,101	1
1920	Guarantee deposits paid		3,997	-	2,258	-
1980	Other financial assets - non-current	8	1,430	-	1,432	-
1990	Other non-current assets		3,614	-	2,367	-
15XX	Total non-current assets		996,890	45	1,080,978	47
1XXX	Total assets		\$ 2,196,373	100	\$ 2,276,256	100

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2016		December 31, 2015	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(8)	\$ 187,715	8	\$ 204,803	9
2150	Notes payable		65,774	3	48,048	2
2170	Accounts payable		42,694	2	23,482	1
2200	Other payables		78,446	4	62,800	3
2230	Current income tax liabilities	6(19)	5,951	-	7,350	-
2310	Advance receipts		972	-	797	-
2320	Long-term liabilities, current portion	6(9), 8 and 9	58,533	3	99,160	5
21XX	Total current liabilities		440,085	20	446,440	20
Non-current liabilities						
2540	Long-term borrowings	6(9), 8 and 9	390,633	18	503,418	22
2570	Deferred income tax liabilities	6(19)	2,614	-	2,917	-
2640	Net defined benefit liabilities	6(10)	4,625	-	3,950	-
25XX	Total non-current liabilities		397,872	18	510,285	22
2XXX	Total liabilities		837,957	38	956,725	42
Share capital						
3110	Share capital - common stock	6(11)(13)	620,455	28	592,338	26
Capital reserves						
3200	Capital surplus	6(12)	463,051	21	463,051	20
Retained earnings						
3310	Legal reserve	6(11)(13)(19)	64,905	3	57,827	3
3350	Unappropriated retained earnings		334,354	15	312,835	14
3400	Other equity interest		(5,928)	-	12,024	-
3500	Treasury stocks	6(11)	(118,544)	(5)	(118,544)	(5)
31XX	Equity attributable to owners of the parent		1,358,293	62	1,319,531	58
36XX	Non-controlling interest		123	-	-	-
3XXX	Total equity		1,358,416	62	1,319,531	58
Significant Contingent Liabilities and Unrecognized Contract Commitments						
3X2X	Total liabilities and equity		\$ 2,196,373	100	\$ 2,276,256	100

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	For the years ended December 31			
		2016		2015	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue		\$ 982,536	100	\$ 1,021,983	100
5000 Operating costs	6(3)(6)(10)(17)(18)(21)	(627,819)	(64)	(715,579)	(70)
5900 Net operating margin		354,717	36	306,404	30
Operating expenses	6(5)(6)(10)(17)(18) and 7				
6100 Selling expenses		(79,262)	(8)	(79,483)	(8)
6200 General and administrative expenses		(107,347)	(11)	(93,780)	(9)
6300 Research and development expenses		(43,775)	(4)	(36,985)	(4)
6000 Total operating expenses		(230,384)	(23)	(210,248)	(21)
6900 Operating profit		124,333	13	96,156	9
Non-operating income and expenses					
7010 Other income	6(14)	8,169	1	8,279	1
7020 Other gains and losses	6(7)(15) and 12	(14,449)	(2)	(5,023)	-
7050 Finance costs	6(4)(16)	(12,645)	(1)	(17,997)	(2)
7000 Total non-operating income and expenses		(18,925)	(2)	(14,741)	(1)
7900 Profit before income tax		105,408	11	81,415	8
7950 Income tax expense	6(19)	(19,874)	(2)	(10,633)	(1)
8200 Profit for the year		\$ 85,534	9	\$ 70,782	7
Other comprehensive income (loss) (Net)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311 Other comprehensive loss, before tax, actuarial loss on defined benefit plans	6(10)	(\$ 906)	-	(\$ 3,798)	(1)
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)	154	-	646	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations		(17,962)	(2)	(3,144)	-
8300 Total other comprehensive loss for the year		(\$ 18,714)	(2)	(\$ 6,296)	(1)
8500 Total comprehensive income for the year		\$ 66,820	7	\$ 64,486	6
Profit (loss) attributable to:					
8610 Owners of the parent		\$ 85,583	9	\$ 70,782	7
8620 Non-controlling interest		(49)	-	-	-
		\$ 85,534	9	\$ 70,782	7
Comprehensive income (loss) attributable to:					
8710 Owners of the parent		\$ 66,879	7	\$ 64,486	6
8720 Non-controlling interest		(59)	-	-	-
		\$ 66,820	7	\$ 64,486	6
Earnings per share (in dollars)					
9750 Basic	6(20)	\$ 1.45		\$ 1.20	
9850 Diluted	6(20)	\$ 1.44		\$ 1.19	

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent										
	Notes	Share capital - common stock	Capital reserve	Retained Earnings			Financial statements translation differences of foreign operations	Treasury stocks	Total	Non-controlling interest	Total equity
Legal reserve				Special reserve	Unappropriated retained earnings						
For the year ended December 31, 2015											
Balance at January 1, 2015		\$ 592,338	\$ 463,051	\$ 55,753	\$ 133	\$ 275,263	\$ 15,168	(\$ 113,367)	\$ 1,288,339	\$ -	\$ 1,288,339
Distribution of earnings for 2014 net income:											
Legal reserve		-	-	2,074	-	(2,074)	-	-	-	-	-
Cash dividends	6(13)	-	-	-	-	(28,117)	-	-	(28,117)	-	(28,117)
Reversal of special reserve		-	-	-	(133)	133	-	-	-	-	-
Profit for 2015		-	-	-	-	70,782	-	-	70,782	-	70,782
Other comprehensive loss for 2015		-	-	-	-	(3,152)	(3,144)	-	(6,296)	-	(6,296)
Buy-back of treasury shares	6(11)	-	-	-	-	-	-	(5,177)	(5,177)	-	(5,177)
Balance at December 31, 2015		<u>\$ 592,338</u>	<u>\$ 463,051</u>	<u>\$ 57,827</u>	<u>\$ -</u>	<u>\$ 312,835</u>	<u>\$ 12,024</u>	<u>(\$ 118,544)</u>	<u>\$ 1,319,531</u>	<u>\$ -</u>	<u>\$ 1,319,531</u>
For the year ended December 31, 2016											
Balance at January 1, 2016		\$ 592,338	\$ 463,051	\$ 57,827	\$ -	\$ 312,835	\$ 12,024	(\$ 118,544)	\$ 1,319,531	\$ -	\$ 1,319,531
Distribution of earnings for 2015 net income:											
Legal reserve		-	-	7,078	-	(7,078)	-	-	-	-	-
Cash dividends	6(13)	-	-	-	-	(28,117)	-	-	(28,117)	-	(28,117)
Stock dividends	6(11)(13)	28,117	-	-	-	(28,117)	-	-	-	-	-
Profit for 2016		-	-	-	-	85,583	-	-	85,583	(49)	85,534
Other comprehensive loss for 2016		-	-	-	-	(752)	(17,952)	-	(18,704)	(10)	(18,714)
Non-controlling interest		-	-	-	-	-	-	-	-	182	182
Balance at December 31, 2016		<u>\$ 620,455</u>	<u>\$ 463,051</u>	<u>\$ 64,905</u>	<u>\$ -</u>	<u>\$ 334,354</u>	<u>(\$ 5,928)</u>	<u>(\$ 118,544)</u>	<u>\$ 1,358,293</u>	<u>\$ 123</u>	<u>\$ 1,358,416</u>

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 105,408	\$ 81,415
Adjustments			
Adjustments to reconcile profit (loss)			
Reversal of allowance doubtful accounts	6(2)(14)	(3,480)	(5,254)
Loss on inventory market price decline	6(3)	327	17,095
Depreciation	6(4)(17)	118,296	129,746
Depreciation reclassified to intangible assets	6(6)	(331)	-
Loss on disposal of property, plant and equipment	6(15)	92	1,404
Amortization	6(6)(17)	1,442	937
Amortization reclassified to intangible assets	6(6)	(106)	-
Loss on disposal of intangible assets	6(15)	18	-
Impairment loss	6(6)(7)(15)	4,298	-
Interest income	6(14)	(1,242)	(1,528)
Interest expense	6(16)	12,645	17,997
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(7,499)	11,257
Accounts receivable		4,878	(19,930)
Other receivables		(421)	146
Inventories		49,927	91,786
Prepayments		(1,044)	4,190
Changes in operating liabilities			
Notes payable		19,432	(2,307)
Accounts payable		19,212	8,154
Other payables		13,700	335
Advance receipts		175	(557)
Net defined benefit liabilities		(231)	(289)
Cash inflow generated from operations		335,496	334,597
Interest received		1,242	1,528
Interest paid		(13,012)	(18,091)
Income tax received		13,803	-
Income tax paid		(19,129)	(14,892)
Net cash flows from operating activities		318,400	303,142

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	<u>For the years ended December 31,</u>	
		<u>2016</u>	<u>2015</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for acquisition of property, plant and equipment	6(22)	(\$ 15,620)	(\$ 13,810)
Interest paid for acquisition of property, plant and equipment	6(4)(16)(22)	(370)	(309)
Proceeds from disposal of property, plant and equipment		-	110
Cash paid for acquisition of intangible assets	6(6)	(21,837)	(2,763)
Increase in prepayment for equipment		(2,593)	(3,206)
Increase in guarantee deposits paid		(1,739)	(232)
Decrease (increase) in other financial assets - non-current		2	(1,432)
(Increase) decrease in other non-current assets		(1,247)	691
Net cash flows used in investing activities		(43,404)	(20,951)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		(17,088)	(224,432)
Increase in long-term borrowings		100,000	45,799
Decrease in long-term borrowings		(253,170)	(80,854)
Payments of cash dividends	6(13)	(28,117)	(28,117)
Buy-back of treasury shares	6(11)	-	(5,177)
Change in non-controlling interest		172	-
Net cash flows used in financing activities		(198,203)	(292,781)
Effect of foreign exchange rate changes on cash and cash equivalents		(20,212)	(4,127)
Net increase (decrease) in cash and cash equivalents		56,581	(14,717)
Cash and cash equivalents at beginning of year	6(1)	449,849	464,566
Cash and cash equivalents at end of year	6(1)	\$ 506,430	\$ 449,849

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

Independent Auditors' Report

(Parent Company Only Financial Statements)

To the Board of Directors and Shareholders of CHIEFTEK PRECISION CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of CHIEFTEK PRECISION CO., LTD. (the "Company") as at December 31, 2016 and 2015, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (R.O.C. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the "Audit of the Parent Company Only Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Adequacy of allowance for inventory market price decline of individually identified obsolete or damaged inventories

Description

Please refer to Note 4(8), “Inventories” for accounting policies on inventory, Note 5, “Critical accounting judgements, estimates and key sources of assumption uncertainty” for the uncertainty of significant accounting estimates and assumptions applied on inventory valuation, and Note 6(3), “Inventories” for details of allowance for inventory market price decline. As of December 31, 2016, inventory and allowance for inventory market price decline amounted to NT\$221,950 thousand and NT\$13,372 thousand, respectively.

The Company is primarily engaged in the manufacture and sale of linear motion guide and slide. Due to the demand for high quality products, there is a risk of market price decline and obsolescence of inventories. The Company recognizes inventories at the lower of cost and net realizable value, and the net realizable value is determined based on historical data of closeout inventory and range of discount. Given the uncertainty in the estimation of net realizable value and the significance of the balance of inventory and allowance for inventory market price decline to the financial statements, we consider the allowance for inventory market price decline a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- C. Understanding the operations and industry of the Company to assess the reasonableness of policies and procedures on allowance for inventory market price decline, including the consistency of inventory classification used in determining net realizable value.
- D. Obtaining the inventory list which management used in calculating the lower of cost and net realizable value, checking randomly for the accuracy in calculating net realizable value of inventory, and discussing with management and checking relevant evidence to check the reasonableness of the amount of allowance for inventory market price decline.

Cut-off of export sales revenue

Description

Please refer to Note 4(23), “Revenue recognition” for accounting policies on revenue recognition.

The Company is primarily engaged in domestic and export sales. Based on the Company’s accounting policy, revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer. The terms and conditions of the transaction vary with export customers, and the manual process of obtaining evidence of ownership transfer after delivery and judging the timing of revenue recognition are essential. As export sales involve manual process, the daily transaction amounts are voluminous, the timing of revenue recognition may not be in the proper period,

and the transaction amounts around balance sheet date are material, we consider the cut-off of export sales revenue a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Checking revenue recognition process, and examining revenue recognition basis and approval procedure to assess the accuracy of timing of export sales revenue recognition.
- B. Randomly checking export sales transactions around the balance sheet date, including ascertaining the trading conditions in contract, verifying the evidence of ownership transfer, checking and analysing subsequent export sales returns to ascertain whether the export sales revenue has been recorded in proper period.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with R.O.C. GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with R.O.C. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- G. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- H. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- I. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- J. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- K. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- L. Obtain sufficient appropriate audit evidence regarding the parent company only financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be disclosed in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such disclosures.

Lin, Tzu-Shu
Independent Accountants
Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan
Republic of China
March 23, 2017

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 365,370	17	\$ 387,972	17
1150	Notes receivable, net		18,846	1	13,947	1
1170	Accounts receivable, net	6(2)	173,666	8	159,055	7
1180	Accounts receivable - related parties	7	151,266	7	121,946	6
1200	Other receivables		1,488	-	1,134	-
1210	Other receivables - related parties	7	77	-	50,931	2
1220	Current income tax assets	6(20)	-	-	13,042	1
130X	Inventory	5(1) and 6(3)	208,578	10	206,816	9
1410	Prepayments		5,658	-	8,656	-
11XX	Total current assets		924,949	43	963,499	43
Non-current assets						
1550	Investments accounted for under equity method	6(4)	234,266	11	240,154	11
1600	Property, plant and equipment	6(5)(6) and 8	872,944	41	641,818	28
1760	Investment property, net	6(5)(6) and 8	-	-	316,864	14
1780	Intangible assets	5(2), 6(7)(8)	51,132	2	53,016	2
1840	Deferred income tax assets	6(20)	21,286	1	23,545	1
1915	Prepayments for equipment	6(5)	5,837	-	18,437	1
1920	Guarantee deposits paid		1,973	-	289	-
1980	Other financial assets - non-current	8	1,430	-	1,432	-
1990	Other non-current assets	7	37,514	2	2,367	-
15XX	Total non-current assets		1,226,382	57	1,297,922	57
1XXX	Total assets		\$ 2,151,331	100	\$ 2,261,421	100

(Continued)

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(9)	\$ 125,000	6	\$ 204,803	9
2150	Notes payable		65,774	3	48,048	2
2170	Accounts payable		42,868	2	23,436	1
2200	Other payables		65,177	3	52,449	3
2230	Current income tax liabilities	6(20)	5,951	-	6,566	-
2310	Advance receipts		258	-	14	-
2320	Long-term liabilities, current portion	6(10), 8 and 9	58,533	3	84,808	4
21XX	Total current liabilities		363,561	17	420,124	19
Non-current liabilities						
2540	Long-term borrowings	6(10), 8 and 9	390,633	18	478,302	21
2570	Deferred income tax liabilities	6(20)	2,614	-	2,917	-
2640	Net defined benefit liabilities	6(11)	4,625	-	3,950	-
2670	Other non-current liabilities	6(4)	31,605	2	36,597	2
25XX	Total non-current liabilities		429,477	20	521,766	23
2XXX	Total liabilities		793,038	37	941,890	42
Equity						
Share capital						
3110	Share capital - common stock	6(12)(14)	620,455	29	592,338	26
Capital reserves						
3200	Capital surplus	6(13)	463,051	21	463,051	20
Retained earnings						
3310	Legal reserve	6(12)(14)(20)	64,905	3	57,827	3
3350	Unappropriated retained earnings		334,354	16	312,835	14
3400	Other equity interest		(5,928)	-	12,024	-
3500	Treasury stocks	6(12)	(118,544)	(6)	(118,544)	(5)
3XXX	Total equity		1,358,293	63	1,319,531	58
Significant Contingent Liabilities and Unrecognized Contract Commitments						
3X2X	Total liabilities and equity		\$ 2,151,331	100	\$ 2,261,421	100

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

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	For the years ended December 31				
		2016		2015		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	7	\$ 784,654	100	\$ 826,513	100
5000	Operating costs	6(3)(7)(11)(18)(19)(2)	(556,953)	(71)	(610,131)	(74)
5900	Gross profit		227,701	29	216,382	26
5910	Unrealized gain from inter-affiliate accounts	6(4)	(61,186)	(8)	(76,292)	(9)
5920	Realized gain from inter-affiliate accounts	6(4)	76,292	10	73,676	9
5950	Net operating margin		242,807	31	213,766	26
	Operating expenses	6(6)(7)(11)(18)(19)				
6100	Selling expenses		(31,632)	(4)	(36,188)	(4)
6200	General and administrative expenses		(59,666)	(8)	(51,057)	(6)
6300	Research and development expenses		(43,593)	(5)	(36,985)	(5)
6000	Total operating expenses		(134,891)	(17)	(124,230)	(15)
6900	Operating profit		107,916	14	89,536	11
	Non-operating income and expenses					
7010	Other income	6(15) and 7	10,121	1	11,442	2
7020	Other gains and losses	6(8)(16) and 12	(7,851)	(1)	2,443	-
7050	Finance costs	6(5)(17)	(11,602)	(1)	(17,349)	(2)
7070	Share of gain (loss) of subsidiaries, associates and joint ventures accounted for under equity method	6(4)	1,224	-	(9,151)	(1)
7000	Total non-operating income and expenses		(8,108)	(1)	(12,615)	(1)
7900	Profit before income tax		99,808	13	76,921	10
7950	Income tax expense	6(20)	(14,225)	(2)	(6,139)	(1)
8200	Profit for the year		\$ 85,583	11	\$ 70,782	9
	Other comprehensive income (loss) (Net)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Other comprehensive loss, before tax, actuarial loss on defined benefit plans	6(11)	(\$ 906)	-	(\$ 3,798)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	154	-	646	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(17,952)	(2)	(3,144)	-
8300	Total other comprehensive loss for the year		(\$ 18,704)	(2)	(\$ 6,296)	(1)
8500	Total comprehensive income for the year		\$ 66,879	9	\$ 64,486	8
	Earnings per share (in dollars)					
9750	Basic	6(21)	\$ 1.45		\$ 1.20	
9850	Diluted	6(21)	\$ 1.44		\$ 1.19	

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

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital reserve	Retained Earnings			Financial statements translation differences of foreign operations	Treasury stocks	Total
				Legal reserve	Special reserve	Unappropriat ed retained earnings			
For the year ended December 31, 2015									
Balance at January 1, 2015		\$ 592,338	\$ 463,051	\$ 55,753	\$ 133	\$ 275,263	\$ 15,168	(\$ 113,367)	\$ 1,288,339
Distribution of earnings for 2014 net income (Note):									
Legal reserve		-	-	2,074	-	(2,074)	-	-	-
Cash dividends	6(14)	-	-	-	-	(28,117)	-	-	(28,117)
Reversal of special reserve		-	-	-	(133)	133	-	-	-
Profit for 2015		-	-	-	-	70,782	-	-	70,782
Other comprehensive loss for 2015		-	-	-	-	(3,152)	(3,144)	-	(6,296)
Buy-back of treasury shares	6(12)	-	-	-	-	-	-	(5,177)	(5,177)
Balance at December 31, 2015		<u>\$ 592,338</u>	<u>\$ 463,051</u>	<u>\$ 57,827</u>	<u>\$ -</u>	<u>\$ 312,835</u>	<u>\$ 12,024</u>	<u>(\$ 118,544)</u>	<u>\$ 1,319,531</u>
For the year ended December 31, 2016									
Balance at January 1, 2016		\$ 592,338	\$ 463,051	\$ 57,827	\$ -	\$ 312,835	\$ 12,024	(\$ 118,544)	\$ 1,319,531
Distribution of earnings for 2015 net income (Note):									
Legal reserve		-	-	7,078	-	(7,078)	-	-	-
Cash dividends	6(14)	-	-	-	-	(28,117)	-	-	(28,117)
Stock dividends	6(12)(14)	28,117	-	-	-	(28,117)	-	-	-
Profit for 2016		-	-	-	-	85,583	-	-	85,583
Other comprehensive loss for 2016		-	-	-	-	(752)	(17,952)	-	(18,704)
Balance at December 31, 2016		<u>\$ 620,455</u>	<u>\$ 463,051</u>	<u>\$ 64,905</u>	<u>\$ -</u>	<u>\$ 334,354</u>	<u>(\$ 5,928)</u>	<u>(\$ 118,544)</u>	<u>\$ 1,358,293</u>

(Note) The employees' compensation were \$1,504 and \$6,850 and the directors' and supervisors' remuneration were \$564 and \$ 2,569 in 2014 and 2015, respectively, which had been deducted from net income for the year.

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

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 99,808	\$ 76,921
Adjustments			
Adjustments to reconcile profit (loss)			
Reversal of allowance doubtful accounts	6(2)(15)	(3,516)	(884)
Loss on inventory market price decline	6(3)	2,532	1,774
Share of (gain) loss of subsidiaries, associates and joint ventures accounted for under equity method	6(4)	(1,224)	9,151
Unrealized gain from inter-affiliate accounts	6(4)	61,186	76,292
Realized gain from inter-affiliate accounts	6(4)	(76,292)	(73,676)
Depreciation	6(5)(18)	113,427	126,155
Loss on disposal of property, plant and equipment	6(16)	92	1,404
Amortization	6(7)(18)	1,279	866
Loss on disposal of intangible assets	6(16)	18	-
Impairment loss	6(7)(8)(16)	4,298	-
Interest income	6(15)	(507)	(1,455)
Interest expense	6(17)	11,602	17,349
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(4,899)	770
Accounts receivable		(11,095)	(20,104)
Accounts receivable - related parties		(29,320)	47,320
Other receivables		(354)	135
Other receivables - related parties		3,862	(329)
Inventories		(4,294)	17,371
Prepayments		2,998	7,212
Changes in operating liabilities			
Notes payable		19,432	(2,307)
Accounts payable		19,432	7,382
Other payables		10,409	(1,143)
Advance receipts		244	(442)
Net defined benefit liabilities		(231)	(289)
Cash inflow generated from operations		218,887	289,473
Interest received		331	424
Interest paid		(11,835)	(17,587)
Income tax received		13,042	-
Income tax paid		(12,730)	(8,857)
Net cash flows from operating activities		207,695	263,453

(Continued)

CHIEFTEK PRECISION CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31,	
		2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in other non-operating receivables due from related parties		\$ 46,992	\$ 72,576
Interest received from borrowings and lending among related parties		176	1,031
Cash paid for acquisition of investments accounted for under equity method-subidiaries		(726)	-
Cash paid for acquisition of property, plant and equipment	6(23)	(11,361)	(7,840)
Interest paid for acquisition of property, plant and equipment	6(5)(17)(23)	(370)	(309)
Proceeds from disposal of property, plant and equipment		-	110
Cash paid for acquisition of intangible assets	6(7)	(3,711)	(2,698)
Increase in prepayment for equipment		(2,604)	(3,326)
(Increase) decrease in guarantee deposits paid		(1,684)	40
Decrease (increase) in other financial assets - non-current		2	(1,432)
(Increase) decrease in other non-current assets		(35,147)	691
Net cash flows (used in) from investing activities		(8,433)	58,843
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		(79,803)	(176,957)
Increase in long-term borrowings		100,000	-
Decrease in long-term borrowings		(213,944)	(73,808)
Payments of cash dividends	6(14)	(28,117)	(28,117)
Buy-back of treasury shares	6(12)	-	(5,177)
Net cash flows used in financing activities		(221,864)	(284,059)
Net (decrease) increase in cash and cash equivalents		(22,602)	38,237
Cash and cash equivalents at beginning of year	6(1)	387,972	349,735
Cash and cash equivalents at end of year	6(1)	\$ 365,370	\$ 387,972

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

Chieftek Precision Co., Ltd.
2016 Profit Distribution Proposal

Unit: NT\$ in dollar

Item	Amount	
	Subtotal	Total
Undistributed surplus balance at the beginning of the period		\$ 249,522,767
Decrease: Confirmation of actuarial losses of benefit plan		(751,241)
Reserved surplus at the beginning of the period after adjustment		248,771,526
Distributable surplus available of this year		
Profit for the year	85,582,540	
Less: 10% Legal Reserve	(8,558,254)	
Less: reverse special reverse	(5,927,573)	
Profit in 2016 Available for Distribution		<u>71,096,713</u>
Cumulative distributable surplus		319,868,239
Distribution Item:		
- Cash Dividends to Common Share Holders (NT\$1 per share)	(59,045,489)	
Subtotal of distributed amount		<u>(59,045,489)</u>
Undistributed surplus balance		<u>\$ 260,822,750</u>
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.		