Stock code: 6269

Flexium Interconnect. Inc.

2017 Annual Report

Notice to readers

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

Printed on April 30, 2018

1. Spokesperson & deputy spokesperson name, title, Tel. No. and email:

	Spokesperson	Deputy spokesperson
Name	Arthur Shiung	Blue Lan
Job title	CFO	Director of Administration Division
Tel. No.	(07) 787-1008, Ext. 110	(07) 787-1008, Ext. 107
Email	Arthur_shiung@flexium.com.tw	Bluelan @flexium.com.tw

2. Headquarters, branches, plants and telephone numbers:

Headquarters and Plant: No. 23, Juguang 1st Street, Tafa Industrial Park, Daliao District, Kaohsiung City
Tel. No.: +886-7-787-1008

Taoyuan Pingzhen Office No. 42, Guangteh Street, Pingzhen City, Taoyuan County
Tel. No.: +886-3-493-8990

Kunshang Plant: No. 1399, Hanpu Road, High-Tech Industrial Park, Kunshag City, Jiangsu Province
Tel. No.: +86-512-57775599

Suzhou Plant: No. 1889, Hanpu Road, Yushan Township, Kunshan City, Jiangsu Province
Tel. No.: +86-512-86896888

U.S. Branch: 4020 Moorpark Avenue Suite 111 San Jose, CA 95117 USA
Tel. No.: +1-408-838-2234

3. Name, address, website and telephone number of stock transfer agency:

Name: Yuanta Securities
Address: B1, No. 210, Chengteh Road, Sec. 3, Taipei City
Website: http://www.yuanta.com.tw
Tel. No.: +886-2-2586-5859

4. Name, of CPA certifying the latest annual financial statement and name, address, website and telephone number of the accounting firm:

CPA name: Name of CPA: Liao Ah-Shen, CPA; Wu Chien-Chih , CPA
Firm Name: PwC Taiwan
22F, No. 95, Mintzu 2nd Road, Kaohsiung City
Website: http://www.pwc.tw
Tel. No.: 886-7-237-3116

5. Name of any exchanges where the Company’s securities are traded offshore, and the method by which to access information on said offshore securities:

None

6. Company website:

http://www.flexium.com.tw

Table of Content

A. Letter to shareholders

2017 is a relatively stable year for the global economy. Despite that there are still uncertain factors in the main economies, the overall global economy is growing steadily. In addition, the industrial development is also heading toward the trend of the big becoming bigger and the strong getting stronger. The competitions among the industries are also becoming more severe and intense. Competition does not merely exist in the performance of the business operation but also exists in the product innovation, technology breakthrough, employee training, and even exists in the care and contribution of community harmony development CSR, such that Flexium Interconnect, Inc. is being tested for its value, including its capability in providing quality service to customers continuously, achieving stable earning for investors and whether the Company is able to act as a prudent citizen of the earth. Under such a diverse competitive environment, we sincerely thank all employees for their hard work and the assistance of all upstream and downstream cooperative partners, making the year of 2017 as a glory year for Flexium Interconnect Inc. It also means that the customer service, technology breakthrough and product development of Flexium Interconnect, Inc. have been greatly recognized in the industry. In addition to the revenue growth, the earning yields of the Company are also ranked top in the flexible circuit board industry, meaning that under the severe competition in the flexible circuit board industry, Flexium Interconnect, Inc. is able to continue to maintain its market competitiveness. Although the revenues and earnings have increased from last year, the gross margin decreased slightly in comparison to that in 2016, indicating that there is still room for improvement in terms of the operation management, technology innovation and automation of the Company. Flexium Interconnect, Inc. will continue to implement the medium-to-long term strategic business operation principles of the Company, to optimize and improve the operation abilities on customers, talents, technologies, systems and management in order to allow the Company's competitiveness to continue to increase in the industry.

Business operation outcome

In 2017, the consolidated revenue of Flexium Interconnect, Inc. is NT$ 25.846 billion, an increase of 35.3% over the NT$ 19.096 billion in 2016; the gross profit is NT$ 5.662 billion, a decrease of 24.7% from NT$ 4.539 billion in 2016; gross margin is 21.9%, a decrease of 1.9% from the 23.8% in 2016; the net profit after tax is NT$ 3.057 billion, an increase of 34.4% from the NT$ 2.275 billion in 2016; the basic earnings per share is 10.07 dollars, an increase of 1.65 dollar from the 8.42 dollars in 2016.

Note: There was no publicly announced financial forecast in 2017; therefore, the budget achievement status is not available.

Market trend

With the continuous economic development, the people's demands for friendly, safe and healthy facilities become higher; accordingly, the growth of the corresponding industries, such as mobile device platform, automobile electronics, Internet of Things, artificial intelligence and health/recreation and medical safety can be expected. In addition, as the Big Data analysis and cloud computing continue to flourish, for the realization of socialization, customization and even individual integrated products and services, the Company will continue to improve in order to satisfy the exclusive and unique expectations of its customers. In view of the diversity and demands of such products, winners of flexible board modules will be providers capable of providing solutions integrating high frequency, wireless, voice, safety, high density and flexible overall modules circuits. Accordingly, the Company will focus on the aforementioned key technology developments in order to provide quality products and services.

Status of research and technical development

The vision of Flexium Interconnect, Inc. is to become a leading global flexible module solution provider. In terms of the technology development, in addition to the two major fields of FPC and FPCA, there are new breakthroughs in the technologies of high frequency and semi-conductor application. The technical aspect includes the materials, circuit design manufacturing technique, module test, high-frequency and wireless, flexible printed circuit board, automation equipment. The new Kaohsiung plant FPC capable of reaching the fine circuit of 20/20 um roll-to-roll automatic production line has been in operation officially in 2017, which is beneficial to the revenue. The long term planning of FPCA in China focuses on automatic production line that is of high efficiency and man-machine integration, which is also in mass production since the 2017 operation. High frequency and semiconductor products have also been certified and approved by customers one after another. These technologies and manufacturing process breakthroughs can become the driving force for the growth of the revenue and profit of the Company in the next stage. Flexium Interconnect, Inc. Positions itself as a diverse technology solution provider, and research and development is the core for the Company to maintain competitiveness continuously, and the Company will continue to invest in research and development as well as technologies in order to develop high-end and high value-added products. The Company looks forward to grow and develop further with clients together.

Reputation and corporate social responsibility

Flexium Interconnect, Inc. is honorably published in “the Top 2,000 Corporates in the Taiwan Survey by the CommonWealth Magazine: ranked as the 173rd Company in manufacturing industry 2016, ranked 86th in net income after tax, and ranked 233th in profitability”, where in the growth rate and profitability we are ranked No. 1 in flexible board plants in Taiwan. In addition, the Company also continues to invest in the talent cultivation such that the Company rises above all competitors. In 2016, the Company received the “Enterprise Mechanical Board Golden Award” of the National Talent Quality-management System (TTQS). In 2017, Flexium Interconnect, Inc. also received the honor of occupational safety and health excellence unit from the Labor Affairs Bureau of Kaohsiung City Government. In the same year, the Company further received the “Outstanding Member Enterprise Award” in the National Industrial Section Outstanding Unit and Personnel Award in the Industrial Section Occupational Safety and Health Promotion Plan. In addition, the Company has also received numerous awards of “Top 10 Export/Import Enterprises”, “Transformation and Upgrade Advanced Industry” and “Green Ecological Development Advanced Enterprise” issued by the Kunshan City Government of Suzhou. In 2017, the Company completes the establishment of the enterprise social responsible report and has also actively participated in the community construction activities. In addition to the formation of Daai Volunteer Group, organization of blood donation activity, donation of fire rescue vest and police patrol cars, the Company has also helped schools and kindergartens to additionally install necessary hardware facilities in order to realize the spirit of corporate social responsibility.

Future outlook

Looking ahead to 2018, the development of market competition will become more severe and despite that there are still some slow growth in the smartphones, the market is nearly saturated. It is expected that the growth point for the next stage will be during the introductions of the fast high-frequency 5G, where the consumers’ demands for seamless connection and quick response of media, identification and safety. In addition, for the self-driving vehicles for onboard electronics, with the evolution of the technology of high frequency, the communications between vehicle and man, vehicle and vehicle at high speed driving are being realized; therefore, transportation tools that are more comfortable and safer will become the engine driving the future growth. Furthermore, the servers, optical communication products necessary for the cloud computing of Big Data, medical care, health and sports industries also require flexible boards that are slim and small in size, which can also bring multiple times of growth to the Company continuously. Flexium Interconnect, Inc. will continue to invest in the resources and manpower in the research and development of technologies related to high frequency, onboard electronics, health and Medicare, optical communication in order to establish the long-term development competition advantages of the Company. Moreover, the Company also continuously develops Flexium Interconnect, Inc. exclusive APP software such that the Company is able to shorten the gaps among management levels effectively through remote, real-time, KPI and mobile management as well as effectively control the product shipping details, thereby ensuring the consistency of the business operation and production and the flexibility of the market change.

Flexium Interconnect, Inc. treasures every dollar invested by the shareholders, and increasing the business performance to maintain the competitiveness of the Company is the best feedback to all shareholders. We thank all shareholders for your long-term support, feedbacks and encouragements. I sincerely thank all dedicated employees and cooperative partners of Flexium Interconnect, Inc. On behalf of the management team of Flexium Interconnect, Inc., I also sincerely thank the supports of all shareholders and wish everyone great health and prosperity! Best wishes!

Chairman: Ming-Chi Cheng
Managerial Person: Ming-Chi Cheng
Accounting Supervisor: Arthur Shiung

B. Company profile

I. Date of establishment

December 19, 1997

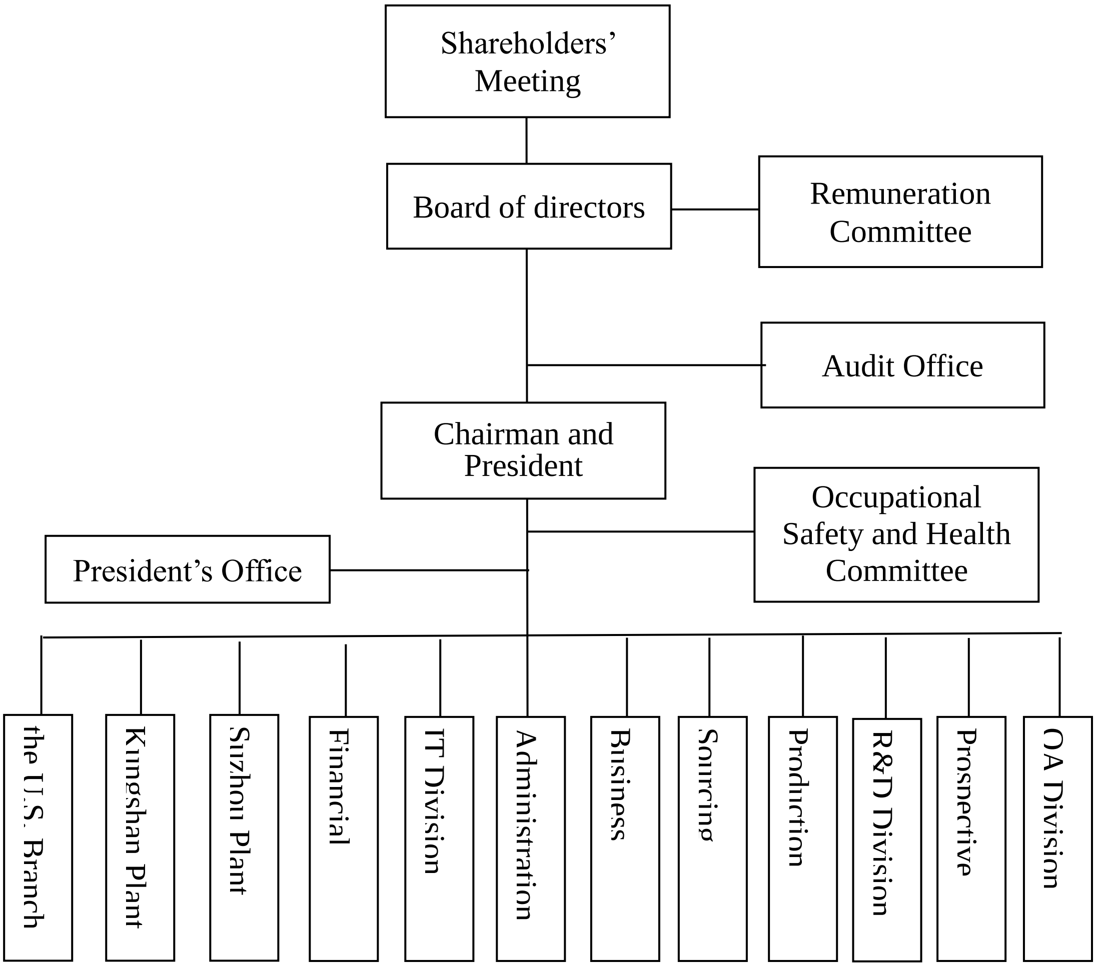
II. Company history

Year	Important events of the recent years and till the printing date of the annual report
January 2016	On January 12, 2016, the Ministry of Economic Affairs (MOEA) approved the conversion of the employee stock option certificates and convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 2,779,829,220.
April 2016	On April 29, 2016, the Ministry of Economic Affairs (MOEA) approved the conversion of the convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 2,780,477,220.
August 2016	On August 1, 2016, the Ministry of Economic Affairs (MOEA) approved the conversion of the employee stock option certificates into common shares, and the paid-in capital after the capital increase is NT$ 2,780,677,220.
October 2016	On October 19, 2016, the Ministry of Economic Affairs (MOEA) approved the conversion of the additional paid-in capital and the employee stock option certificates as well as the convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 2,909,831,880.
January 2017	On January 13, 2017, the Ministry of Economic Affairs (MOEA) approved the conversion of the employee stock option certificates and convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 2,991,043,740.
March 2017	On March 9, 2017, the Ministry of Economic Affairs (MOEA) approved the conversion of the convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 3,003,723,200.
April 2017	Established FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION
July 2017	On July 13, 2017, the Ministry of Economic Affairs (MOEA) approved the conversion of the convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 3,001,762,140.
August 2017	On August 30, 2017, the Ministry of Economic Affairs (MOEA) approved the conversion of the additional paid-in capital and the employee stock option certificates as well as the convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 3,176,823,760.
January 2018	On January 25, 2018, the Ministry of Economic Affairs (MOEA) approved the conversion of the employee stock option certificates and convertible bond into common shares, and the paid-in capital after the capital increase was NT$ 3,179,911,580.

C. Corporate governance report

I. Organization system

1. Company's organizational chart (2017.12.31)



(二) Business lines conducted by various departments

Chairman of Board	Control promotion of the Company's business objectives and policies
President	Set the Company's mid-term and long-term business strategies, and execute the resolutions made by shareholders' meetings and directors' meetings
President's Office	Analyze and evaluate the Company's business performance, and propose the suggestions about improvement to help the Company achieve the business objectives.
Audit Office	Internal audit and operating procedure compliance management audit, etc.
Occupational safety and health committee	Occupational disaster and pollution prevention and planning, and implementation of labor safety & health education management training
the U.S. Branch	Marketing support, customers' and technical services, etc.
Kungshan Plant	Produce the Company's products, arrangement of production capacity, and upgrade production efficiency
Suzhou Plant	Produce the Company's products, arrangement of production capacity, and upgrade production efficiency
Financial Division	Arrangement of the Group's fund management operating system, foreign exchange management, preparation and control of budget, accounting and financial allocation
IT Division	Establishment, design, maintenance and control of the Company's information system strategies
Administration Division	Responsible for managing the Company's HR strategies, HR training, performance appraisal and recruitment.
Business Division	Analyze the application of new products and development of market, enhance relations with customers and serve customers, etc.
Sourcing Division	The Company's procurement, warehousing management, import/export, and planning and management, etc.
Production Division	Matters related to the manufacturing, production capacity adjustment and increase of manufacturing efficiency of all products of the Company.
R&D Division	Consolidate R&D resources, set R&D orientation, and research and develop production technology
Prospective Production Division	Matters related to the manufacturing, production capacity adjustment and increase of manufacturing efficiency of all products of the Company.
QA Division	Responsible for quality assurance and upgrading of the Company's products

II. Profiles of directors, supervisors, president, vice presidents, assistant VPs, and heads of all departments and branches

(1) Information of Directors and Supervisors

1. Information of Directors and Supervisors (1)

April 16, 2018 Unit: Thousand shares; %

Job Title	Nationality or place of registration	Name	Gender	Election (appointment) date	Term of office	Inauguration date	Shares at election		Current shareholding		Current shares held by spouse and children of minor age		Total shareholding assuming the name of others		Major (academic degree) experience	Position(s) held concurrently in the Company and/or in any other companies	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship		
							Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding			Job title	Name	Relationship
Corporate director	R.O.C.	Chi Lien Investment Co., Ltd.	-	2016/6/28	3 years	2010/6/9	2,424	0.78	2,825	0.91	-	-	-	-	None	None	Corporate director Representative Chairman of Board	Ming-Chih Cheng	Responsible person's spouse
Chairman of Board Chi Lien Investment Co., Ltd. Representative	R.O.C.	Ming-Chih Cheng	Male	2016/6/28	3 years	1997/12/9	-	-	4,106	1.33	75	0.02	-	-	Chairman of Board of Tai Peng Development Co., Ltd. National Sun Yat-sen University	Chairman and President of the Company Chairman of Board of Tai Peng Development Co., Ltd. Concurrently acting as the Director of the following companies invested by the Company: FLEXIUM INTERCONNECT INC. UFLEX TECHNOLOGY CO., LTD. GRANDPLUS ENTERPRISES LIMITED SUCCESS GLORY INVESTMENTS LIMITED CHAMPION BEYOND LIMITED CHOSEN GLORY LIMITED FOREVER MASTER LIMITED BOOM BUSINESS LIMITED CLEAR SUCCESS GLOBAL LIMITED Concurrently acting as the Chairman of the following companies invested by the Company: Jun-Fong Investment Inc. FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Corporate director Corporate director	Chi Lien Investment Co., Ltd. Tai-Peng Development Inc.	Responsible person's spouse Responsible person
Director Chi Lien Investment Co., Ltd. Representative	R.O.C.	Yung Chang Chan	Male	2016/6/28	3 years	2010/6/9	-	-	-	-	-	-	-	-	Administrative Section of Public Officials 1975 Passed Civil Service Senior Examination and completed courses of Academy for the Judiciary of 19th term Judge of Taoyuan District Court, Shihlin District Court and Taipei District Court Served as presiding judge of Keelung District Court Judge of Taiwan High Court Supervisor of the Chinese Society of Law Department of Law, National Taiwan University	Principal attorney of All-Pro Law Firm Director of TK3C, Inc. Independent director and member of remuneration committee of Center Laboratories, Inc. Independent director and member of remuneration committee of Glacbiotech Co., Ltd. Independent director and member of remuneration committee of Collins, Inc. Member of remuneration committee of EverFocus Co., Ltd. Member of remuneration committee of Sintronic Technology, Inc. Member of remuneration committee of Rodex Fasteners Corp. Member of remuneration committee of Glory Biotech Co., LTD. Consultant of MasterLink Securities Corp.	None	None	None
Judicial Person Director	R.O.C.	Tai-Peng Development Inc.	-	2016/6/28	3 years	1997/12/9	13,023	4.22	14,350	4.65	-	-	-	-	None	None	Corporate director Representative Chairman of Board	Ming-Chih Cheng	Responsible person

Job Title	Nationality or place of registration	Name	Gender	Election (appointment) date	Term of office	Inauguration date	Shares at election		Current shareholding		Current shares held by spouse and children of minor age		Total shareholding assuming the name of others		Major (academic degree) experience	Position(s) held concurrently in the Company and/or in any other companies	Other officers, directors or supervisors with spouses, or relatives within the second degree of kinship		
							Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding			Job title	Name	Relationship
Director Tai-Peng Development Corporation Representative	R.O.C.	Ji-Yan Liang	Male	2016/6/28	3 years	2006/6/23	-	-	-	-	-	-	-	-	Executive vice president of China Development Venture Capital Corporation Sales Manager of Commercial Computer department, Hewlett-Packard of USA Adjunct Lecturer, Department of Business Administration, Soochow University Mater of Graduate School of Business Administration of National Chengchi University Bachelor of Department of Chemical Engineering of National Tsing Hua University	Legal representative chairman of TAINET Communication System Corp. Legal representative chairman of Lianchang Investment Co., Ltd. Independent director, member of remuneration committee and audit committee member of EPISTAR Corporation Supervisor of ASMedia Technology Inc. Independent director and member of remuneration committee of Excellence MOS Corp Director of Ta Chen International, Inc. Director of Rui Jin Technology Consulting Corp. Legal representative supervisor of Hua-He cultural and creative management and consulting Corp. Supervisor of csr Community International Limited Supervisor of Taipei Tech Start Venture Capital Co., Ltd. Member of remuneration committee of Sesoda Corporation Member of remuneration committee of Shinkong Textile Co., Ltd	None	None	None
Director Tai-Peng Development Corporation Representative	R.O.C.	Jeng Xi Shih	Male	2016/6/28	3 years	2007/5/30	-	-	295	0.10	-	-	-	-	Assistant Vice-President of Taiwan Hitachi Electronic Corp. Vice President of Tong-Bao Technology Corp. Executive Vice President of Flexium Interconnect.Inc Department Of Mechanical Engineering, National Cheng Kung University	Chief Consultant of the Company	None	None	None
Director Tai-Peng Development Corporation Representative	R.O.C.	Zhi Tang Lan	Male	2016/6/28	3 years	2016/6/28	-	-	141	0.05	-	-	-	-	Special assistant of Chairman of Flexium PhD in Business Management of National Sun Yat-sen University	Director of Administration Division of the Company Director of Jun-Fong Investment Inc. re-invested by the Company Director of FLEXIUM INTERCONNECT AMERICA LLC.	None	None	None
Independent Director	R.O.C.	Sun Deh Chang	Male	2016/6/28	3 years	2006/6/15	-	-	-	-	-	-	-	-	Department of Electrophysics, NCTU MBA, University of Wales	Vice President, SMIC	None	None	None
Independent Director	R.O.C. the U.S.A.	Chien Hui Gong	Female	2016/6/28	3 years	2013/6/11	-	-	-	-	-	-	-	-	Wichita State University, MBA	Wichita State University Business School, Lecturer	None	None	None
Supervisor	R.O.C.	Pei-Ru Lin	Female	2016/6/28	3 years	2010/6/9	1,324	0.43	1,459	0.47	341	0.11	-	-	NCHU Department of Foreign Languages and Literatures.	Chairperson of the Board, Tai-Cheng Investment Corporation Chairman of He Sheng Investment Co., Ltd.	None	None	None
Supervisor	R.O.C.	Xun-Po Chuang	Male	2016/6/28	3 years	2002/6/13	695	0.23	766	0.25	-	-	-	-	Chairman of Xiang-Mei Management Consulting Ltd.	Chairman of Xiang-Mei Management Consulting Ltd. Director of Flexium (Kunshan) Co., Ltd. re-invested by the Company Supervisor of FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	None	None	None

Note: The current shareholdings are calculated after the total outstanding common shares, 317,991,158 shares, less the treasury stock totaling 9,092,657 shares on April 15, 2018.

Table 1: Major shareholders of corporate shareholders

April 16, 2018

Name of corporate shareholder	Major shareholders of corporate shareholders	
Tai Peng Development Co., Ltd.	Chu Yang Investment Co., Ltd.	22.50%
	Youben investment Co., Ltd.	24.70%
	Yao Hsiang International Investment Co., Ltd.	21.70%
	Tai-Cheng Investment Corporation	20.00%
Chilien Investment Co., Ltd.	Hsiun-Chen Yang	40.00%
	Ming-Chih Cheng	60.00%

Table 2: Major shareholders of major corporate shareholders referred to in Table 1, if any

April 16, 2018

Chu Yang Investment Co., Ltd.	Ming-Chih Cheng	41.82%
	Hsiun-Chen Yang	58.18%
Youben investment Co., Ltd.	Da-Wen Sun	100.00%
Hsiang Yao International Investment Corporation	Yu-Huei Lin	12.50%
	Yu-Mei Lin	0.00005%
	Mei-Dai Chang	0.00005%
Tai-Cheng Investment Corporation	Chi-Cheng Chang	6.90%
	Pei-Ru Lin	6.90%

2. Information of Directors and Supervisors (2)

Qualifications / Name	More than 5 years of experience and the following professional qualifications			Status of independence (note 1)										Number of public companies where the person holds the title as an independent director
	Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Pass the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8	9	10	
Ming-Chih Cheng (Representative of Chi Lien)	-	-	Yes	-	✓	-	✓	✓	✓	✓	✓	✓	-	0
Yung Chang Chan (Representative of Chi Lien)	-	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	3
Ji-Yan Liang (Representative of Tai Peng)	Yes	-	Yes	✓	✓	✓	✓	-	✓	✓	✓	✓	-	2
Jeng Xi Shih (Representative of Tai Peng)	-	-	Yes	-	✓	✓	✓	-	✓	✓	✓	✓	-	0
Zhi Tang Lan (Representative of Tai Peng)	-	-	Yes	-	✓	✓	✓	-	✓	✓	✓	✓	-	0
Xun-Deh Chang	-	-	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chien Hui Gong	Yes	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Xun-Po Chuang	-	-	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Pei-Ru Lin	-	-	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Respective directors and supervisors who meet the following qualifications 2 years before assumption of office and at the time of assumption of office shall put an “ “ in the appropriate space. ✓

(1) Not an employee of the Company or its affiliates
(2) Not a director or supervisor of affiliates of the Company (nevertheless, where the person is an independent director of the Company or its parent Company, subsidiary or set up according to this Act or the law of the local government).
(3) Not a natural person, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.
(4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar as specified in the preceding three subparagraphs.
(5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific Company or institution in business or financial relation with the Company
(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, Company or institution that provide business, legal, financial and accounting services to the Company or its affiliates or a spouse to be the aforementioned person. Nevertheless, members of the Remuneration Committee Charter performing duties according to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counters shall be exempted from such limitation.
(8) Not a spouse to or kin at the second pillar under the Civil Code to any other director
(9) Not under any of the categories stated in Article 30 of the Company Law
(10) No Government Apparatus agency, juristic person or its representative is elected under Article 27 of the Company Law

(2)Profiles of president, vice presidents, assistant VPs, and heads of the branches/departments

April 16, 2018 Unit: Thousand shares; %

Job title	Nationality	Name	Gender	(Election) On-board date	Shares held		Current shares held by the spouse and children of minor age		Total shareholding assuming the name of others		Major (academic degree) experience	Position(s) held concurrently in any other companies	Managers are spouse or within second-degree relative of consanguinity to each other		
					Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding			Job title	Name	Relationship
President	the R.O.C.	Ming-Chih Cheng	Male	1995/6/23	4,106	1.33	75	0.02	-	-	Chairman of Tai-Peng Development Inc. National Sun Yat-sen University	Chairman of Board of Tai Peng Development Co., Ltd. Director of FLEXIUM INTERCONNECT INC Director of UFLEX TECHNOLOGY CO., LTD Director of GRANDPLUS ENTERPRISES LIMITED Director of SUCCESS GLORY INVESTMENTS LIMITED Director of CHAMPION BEYOND LIMITED Director of CHOSEN GLORY LIMITED Director of FOREVER MASTER LIMITED Director of BOOM BUSINESS LIMITED Director of CLEAR SUCCESS GLOBAL LIMITED Chairman of Jun-Fong Investment Inc. Chairman of FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION Chairman of FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	-	-	-
Kungshan Plant Chief Director	the R.O.C.	Yu-Tai Cheng	Male	2009/6/10	428	0.14	-	-	-	-	Manager of Lite-On Technology Corp., Unicap Electronics Industrial Corp. Chien Hsin University of Science and Technology, Department of Electrical Engineering	None	-	-	-
Kungshan Plant Director	the R.O.C.	Ruei-Chun Ma	Male	2011/8/1	391	0.13	-	-	-	-	Section Chief of MEKTEC Foreman of Kunshan Plant of CMI Oriental Institute of Technology, Department of Electrical Engineering	None	-	-	-
Business Division Vice President	the U.S.A.	Chia-Hsien Tang	Male	2014/6/19	293	0.09	-	-	-	-	Apple, Global Supply & Procurement Manager Volex, project manager Golden Gate University, Master of Computer Information System	None	-	-	-
Sourcing Division Director	the R.O.C.	Chao-Rong Gong	Male	2004/8/1	403	0.13	-	-	-	-	Business engineer of MEKTEC National Taipei University of Technology, Textile Engineering	None	-	-	-
CFO	the R.O.C.	Ya-Shih Hsiung	Male	2012/8/9	355	0.12	-	-	-	-	Director of Accounting Division of ASE Group East Michigan University, MBA	None	-	-	-
Foreman of Kaohsiung Plant	the R.O.C.	Yi-Wen Shan	Male	2014/10/29	221	0.07	1	0.00	-	-	Tom Tom, Asia-Pacific Zone, QA Director National Taiwan University of Technology, Institute of Engineering/National Chengchi University, EMBA	None	-	-	-
Administration Division Director	the R.O.C.	Zhi Tang Lan	Male	2015/2/4	141	0.05	-	-	-	-	Special assistant of Chairman of Flexium PhD in Business Management of National Sun Yat-sen University	Director of Jun-Fong Investment Inc. re-invested by the Company Director of FLEXIUM INTERCONNECT AMERICA LLC.	-	-	-
CQO	the R.O.C.	Zhe-Ming Chang	Male	2017/3/1	54	0.02	-	-	-	-	Quality Director of MFLEX Quality Director of AU Optronics Corp. National Tsing Hua University, Master in Chemical Engineering Xiamen University, EMBA	None	-	-	-
Vice President	the R.O.C.	Chi-Feng Tsai	Male	2018/2/7	42	0.01	-	-	-	-	Module Engineering Manager of AU Optronics Corp. Quality Manager of BriView Special assistant of Chairman of Flexium Feng Chia University,, Master in Mechanical Engineering	Director of FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION Director of FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	-	-	-

Note 1: The officers identified in the name list are the existing officers on the date of publication of the annual report.

Note 2: The current shareholdings are calculated after the total outstanding common shares, 317,991,158 shares, less the treasury stock totaling 9,092,657shares on April 15, 2018.

III. Remuneration to directors (including independent directors), supervisors, president and vice presidents in recent years

(1) Remuneration to directors (including independent directors) (names thereof to be disclosed by space)

December 31, 2017 Unit:NT$ thousand dollars; thousand shares; %

Job title	Name	Remuneration to directors								The sum of A, B, C and D in proportion to Earnings After Tax		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G to earnings after tax (%)		Remuneration from investees beyond subsidiaries
		Remuneration (A)		Pension (B)		Remuneration of directors (C)		Professional practice fees (D)				Salary, bonus and special allowance, etc. (E)		Retirement pension (F)		Employee remuneration (G)						
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company		All companies included into the financial statement		The Company	All companies included into the financial statement	
																Cash amount	Share amount	Cash amount	Share amount			
Chairman and President	Chi Lien Investment Co., Ltd. Representative: Ming-Chi Cheng	-	-	-	-	12,857	12,857	470	470	0.44	0.44	13,566	16,162	-	-	3,195	-	3,195	-	0.98	1.07	-
Director	Chi Lien Investment Co., Ltd. Representative: Yung Chang, Chenn																					
Director	Tai-Peng Development Inc. Representative: Jeng Xi Shih																					
Director	Tai-Peng Development Inc. Representative: Ji-Yan Liang																					
Director	Tai-Peng Development Inc. Representative: Zi-Tang, Lan																					
Independent director	Sun Deh Chang																					
Independent director	Chien Hui Gong																					
In addition to the disclosure of the above table, the remuneration collected by the directors for providing al services (such as acting as non-employee consultants) to the Company within the financial report in recent years is: NT$ 1,320 thousand dollars																						

Breakdown of remuneration

Breakdown of remuneration paid to individual director	Name of director			
	A+B+C+D		A+B+C+D+E+F+G	
	The Company	All companies included in the financial statement H	The Company	All companies included in the financial statement I
Less than NT$2,000,000	Sun Deh Chang and Chien Hui Gong	Sun Deh Chang and Chien Hui Gong	Sun Deh Chang and Chien Hui Gong	Sun Deh Chang and Chien Hui Gong
NT$2,000,000 (inclusive)~NT$5,000,000			-	-
NT$5,000,000 (inclusive)~NT$10,000,000	Representative of Chi-Lian Investment Inc.: Ming-Chi Cheng/Yung-Chang Chan Representative of Tai-Peng Development Inc.: Ji-Yan Liang/Jeng Xi Shih/Zi-Tang Lan	Representative of Chi-Lian Investment Inc.: Ming-Chi Cheng/Yung-Chang Chan Representative of Tai-Peng Development Inc.: Ji-Yan Liang/Jeng Xi Shih/Zi-Tang Lan	-	-
NT$10,000,000 (inclusive)~NT$15,000,000	-	-	Representative of Tai-Peng Development Inc.: Ji-Yan Liang/Jeng Xi Shih/Zi-Tang Lan	Representative of Tai-Peng Development Inc.: Ji-Yan Liang/Jeng Xi Shih/Zi-Tang Lan
NT$15,000,000 (inclusive)~NT$30,000,000	-	-	Representative of Chi-Lian Investment Inc.: Ming-Chi Cheng/Yung-Chang Chan	Representative of Chi-Lian Investment Inc.: Ming-Chi Cheng/Yung-Chang Chan
NT$30,000,000 (inclusive)~NT$50,000,000	-	-	-	-
NT$50,000,000 (inclusive)~NT$100,000,000	-	-	-	-
NT$100,000,000 and above	-	-	-	-
Total	7	7	7	7

(2)Remuneration of supervisors　(names thereof to be disclosed by space)

December 31, 2017; Unit: NT$ thousand dollars; %

Job title	Name	Remuneration to supervisors						Proportion to Earnings After Tax for the total amount of three items of B and C		Remuneration from investees beyond subsidiaries
		Remuneration (A)		Remuneration (B)		Professional practice fees (C)				
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	
Supervisor	Xin-Bin Fu (Note)	-	-	2,143	2,143	170	170	0.08%	0.08%	-
Supervisor	Xun-Po Chuang									
Supervisor	Pei-Ru Lin									

Note: Supervisor, Xin-Bin Fu, was resigned on 2017/5/31

Breakdown of remuneration

Breakdown of remuneration paid to individual supervisor	Supervisor's name	
	A+B+C	
	The Company	All companies included into the financial statement D
Less than NT$2,000,000	Xun-Po Chuang and Pei-Ru Lin and Xin-Bin Fu	Xun-Po Chuang and Pei-Ru Lin and Xin-Bin Fu
NT$2,000,000 (inclusive)~NT$5,000,000	-	-
NT$5,000,000 (inclusive)~NT$10,000,000	-	-
NT$10,000,000 (inclusive)~NT$15,000,000	-	-
NT$15,000,000 (inclusive)~NT$30,000,000	-	-
NT$30,000,000 (inclusive)~NT$50,000,000	-	-
NT$50,000,000 (inclusive)~NT$100,000,000	-	-
NT$100,000,000 and above	-	-
Total	3	3

(3)Remuneration to president and vice presidents (names thereof to be disclosed by space)

December 31, 2017; Unit: NT$ thousand dollars; thousand shares; %

<table>
<tr><th rowspan="3">Job Title (Note)</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Pension (B)</th><th colspan="2">Bonus and special allowance, et al. (C)</th><th colspan="4">Employee remuneration amount (D)</th><th colspan="2">The sum of A, B, C and D in proportion to Earnings After Tax (%)</th><th rowspan="3">Remuneration from investees beyond subsidiaries)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th colspan="2">The Company</th><th colspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th></tr>
<tr><th>Cash amount</th><th>Share amount</th><th>Cash amount</th><th>Share amount</th></tr>
<tr><td>President</td><td>Ming-Chih Cheng</td><td rowspan="3">7,034</td><td rowspan="3">11,634</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">12,934</td><td rowspan="3">12.934</td><td rowspan="3">4,689</td><td rowspan="3">-</td><td rowspan="3">4,689</td><td rowspan="3">-</td><td rowspan="3">0.81%</td><td rowspan="3">0.96%</td><td rowspan="3">-</td></tr>
<tr><td>Vice President</td><td>Chi-Feng Tsai</td></tr>
<tr><td>Vice President of Business Division</td><td>Chia-Hsien Tang</td></tr>
</table>

Breakdown of remuneration

Breakdown of remuneration to each president and vice presidents of the Company	Names of the president, vice presidents and managers of the Company	
	The Company	All companies included into the financial statement (E)
Less than NT$2,000,000	-	-
NT$2,000,000 (inclusive)~NT$5,000,000	Chia-Hsien Tang	Chia-Hsien Tang
NT$5,000,000 (inclusive)~NT$10,000,000	-	-
NT$10,000,000 (inclusive)~NT$15,000,000	Ming-Chih Cheng 、 Chi-Feng Tsai	Ming-Chih Cheng 、 Chi-Feng Tsai
NT$15,000,000 (inclusive)~NT$30,000,000	-	-
NT$30,000,000 (inclusive)~NT$50,000,000	-	-
NT$50,000,000 (inclusive)~NT$100,000,000	-	-
NT$100,000,000 and above	-	-
Total	3	3

(4)Manager name of distribution of employee remuneration and distribution status

2016 Unit: NT$ thousand dollars

	Job title (Note 1)	Name (Note 1)	Share amount	Cash amount	Total	Proportion to Earnings After Tax (%)
Manager	President	Ming-Chih Cheng	-	12,000	12,000	0.39%
	Foreman of Kunshan Plant	Yu-Tai Cheng				
	Foreman of Kunshan Plant	Ruei-Chun Ma				
	Vice President of Business Division	Chia-Hsien Tang				
	Vice President	Chi-Feng Tsai				
	Director of Sourcing Division	Chao-Rong Gong				
	Foreman of Kaohsiung Plant	Yi-Wen Shan				
	CFO	Ya-Shih Hsiung				
	Administration Division Director	Zhi Tang Lan				
	CQO	Zhe-Ming Chang				

Note 1: The managers identified in the name list are the existing managers on the date of publication of the annual report.

(5)Analysis of the total remuneration paid to directors, supervisors, presidents, vice presidents and managers of the Company in the most recent two years in proportion to the net profit after tax is a shown in the following table:

Unit: NT$ thousand dollars

Item / Job title	2016				2017			
	Individual financial statement		Consolidated financial statement		Individual financial statement		Consolidated financial statement	
	Amount	%	Amount	%	Amount	%	Amount	%
Director/supervisor	15,780	0.69	15,780	0.69	15,640	0.51	15,640	0.51
President, vice presidents and managers of the Company	59,250	2.60	65,964	2.90	59,919	1.96	68,137	2.23

(6)The policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk:

Pursuant to Article 29-1 of the Article of Incorporation of the Company, the remuneration of directors and supervisors of the Company shall not be higher than 2%, and the Company operation outcome shall be considered along with the review on individual’s contribution to the performance of the Company in order to provide reasonable remunerations. The remunerations of the president, vice presidents and managers shall be determined according to the salary payment standard of the Company and their background as well as business operation performance. To establish the procedure for remuneration, in addition to the consideration of the Company’s overall business operation performance, future operating risks of the industry and development trend, the individual performance achievement rate and contribution to the performance of the Company is also considered in order to provide reasonable remuneration, and relevant performance valuation and salary reasonability shall be reviewed by the salary and remuneration committee and board of directors. In addition, the remuneration system shall be reviewed according to the actual operating status and relevant laws appropriately at all times in order to seek the sustainable operation and balance of risk control of the Company.

IV. Corporate governance operating status

(I) Board of Director operation status

The Company has held the 2017 7th session of Board of Directors' Meeting (A), and the attendance of the directors and supervisors are as follows:

Job title	Name	Actual number of (listing) attending seats (B)	Attendance by proxy	Actual attendance (listing) of seats percentage (%)	Remark
Chairman of Board	Chi-Lian Investment Corporation representative: Ming-Chi Cheng	7	0	100.00	Reelected on June 28, 2016
Director	Tai-Peng Development Corporation representative: Ji-Yan Liang	7	0	100.00	Reelected on June 28, 2016
Director	Tai-Peng Development Corporation representative: Jeng Xi Shih	7	0	100.00	Reelected on June 28, 2016
Director	Tai-Peng Development Corporation representative: Zi-Tang Lan	7	0	100.00	Elected on 2016.06.28
Director	Chi-Lian Investment Corporation representative: Yung Chang Chan	7	0	100.00	Reelected on June 28, 2016
Independent director	Sun Deh Chang	6	1	85.71	Reelected on June 28, 2016
Independent director	Chien Hui Gong	6	0	85.71	Reelected on June 28, 2016
Supervisor	Xun-Po Chuang	7	0	100.00	Reelected on June 28, 2016
Supervisor	Pei-Ru Lin	7	0	100.00	Reelected on June 28, 2016
Supervisor	Xin-Bin Fu	3	0	100.00	The supervisor resigned on 2017/5/31 and listed for attending for 3 times

Attendance Status of Independent Directors of each time of Board of Directors' Meeting in 2017

◎: Attended in person; ☆: Attended by a proxy; ＊: Absent

2017	1/25	2/21	5/4	6/28	8/4	11/1	12/21
Sun Deh Chang	◎	◎	◎	◎	◎	☆	◎
Chien Hui Gong	＊	◎	◎	◎	◎	◎	◎

Other notes:

I. Where the operations of the board of directors are subject to any one of the following conditions, the date, session number of board of directors' meeting, proposal content, comments of all independent directors and the resolution of the Company for the comments of the independent directors shall be described:

1. Matters specified in Article 14-3 of the Securities and Exchange Act:

Date	Type	Proposal content	Comments of all independent directors	Resolution of the Company for comments of independent directors
2017.1.25	5th session of 8th year of the Meeting	1. Proposal on the Company establishing new subsidiary at PRC via third place investment 2. Proposal on the land and facility acquisition of the Company for newly established subsidiary	No comments	Approved according to proposal content
2017.5.4	7th session of 8th year of the Meeting	1. Proposal on change of CPA according to the Meeting	No comments	Approved according to proposal content
2017.8.4	9th time of 8th year of the Meeting	1. Approval on subsidiary investment loan case	No comments	Approved according to proposal content
2017.11.1	10th session of 8th year of the Meeting	1. Proposal on the disposal of financial products of the Company	No comments	Approved according to proposal content
2017.12.21	11th session of 8th year of the Meeting	1. Proposal on revision of the "Board of Directors' Meeting Regulations" of the Company 2. Proposal on the revision of the "Procedures for Asset Acquisition or Disposal" of the Company	No comments	Approved according to proposal content

2. Except for the aforementioned matters, other resolutions of the board of directors' meeting rejected by the independent directors or reserved comments and are accompanied with records or written declarations: None.

II. For the execution status of the recusal of conflict of interests of directors, the name of the director, proposal content, reasons of recusal and voting participation status shall be described.

1. 6th time of 8th year of Board of Directors' meeting dated 2017.2.21 of the Company

(1) Discussion on the 2016 independent directors' remuneration distribution case of the Company. Since directors Shun-De Chang and Chien-Hui Kung are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

(2) Discussion on the 2016 directors' remuneration distribution case of the Company. Since directors Ming-Chi Cheng, Yung-Chang Chen, Jeng Xi Shih, Tzu-Tang Lan and Ji-Yan Liang are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

(3) Discussion on the managers' remuneration distribution case of the Company. Since directors Ming-Chi Cheng and Tzu-Tang Lan are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

2. 11th time of 8th year of Board of Directors' meeting dated 2017.12.21 of the Company

(1) Discussion on the managers' 2017 H2 operating bonus distribution case of the Company. Since directors Ming-Chi Cheng and Tzu-Tang Lan are the interested parties of this case, they have actively recused themselves from the discussion and resolution thereof.

III. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors:

1. The Company has enacted the parliamentary rules for directors' meetings pursuant to the laws. The functions and operations of the board all comply with the rules and related laws. The internal chief auditor will also attend the directors' meeting to report on the status of the internal audit.

2. Directors may communicate with the chief auditor and CPAs via phone, fax or email.

3. The Company established the Remuneration Committee on December 22, 2011, which is responsible for helping the Board assess and determine the remuneration to directors and managers periodically, and discuss the performance appraisal on directors and managers, and the policy, system, standard and structure remuneration periodically.

IV. Communication between the independent directors and internal chief auditor and CPAs:

1. Communications between internal audit supervisor and independent directors:

(1) The internal audit supervisor of the Company shall provide an audit service report to the independent directors periodically during the board of directors' meeting, and shall communicate the audit report outcome to the committee members.

(2) Shall perform communications, guidance and response periodically through telephone, email or in person.

(3) In case of major special matters, reports to each independent director may also be made timely.

2. Communications between CPA and independent directors:

(1) The Company's CPA shall perform communication meetings with the members of the board of directors irregularly in order to provide reports on the latest laws and financial statement review or audit results as well as internal audit status to the independent directors.

(II) Supervisors' participation in the operation of the Board

The Company held 7th session (A) of the board of directors meetings in 2017., and the attendance record of the supervisors is listed as below:

Job title	Name	Actual attendance (B)	Actual attendance rate (%) 【B/A】	Remark
Supervisor	Xun-Po Chuang	7	100.00	Reelected on June 28, 2016
Supervisor	Pei-Ru Lin	7	100.00	Reelected on June 28, 2016
Supervisor	Xin-Bin Fu	3	100.00	The supervisor resigned on 2017/5/31 and listed for attending for 3 times

Other notes:

I. Organization of supervisors and their duties: The Company has appointed 3 supervisors. The Board will always invite the supervisors to attend the directors' meeting and state their opinion to help control the Company's overview of operation, supervise the operation of the Board and state their opinion in a timely manner.

II. Communication between the supervisors and employees and shareholders: If the supervisors deem it necessary, they may talk to employees and shareholders directly via phone, fax or email.

III. Communication between the supervisors and internal chief auditor and CPAs:

1. Communications between internal audit supervisor and supervisor:

(1) The internal audit supervisor of the Company shall provide audit service report to the supervisor periodically during the board of directors' meeting, and shall communicate the audit report outcome to the committee members.

(2) Shall perform communications, guidance and response periodically through telephone, email or in person.

(3) In case of major special matters, reports to each supervisor may also be made timely.

2. Communication between CPA and supervisor:

(1) The Company's CPA shall perform communication meetings with the supervisors irregularly in order to provide reports on the latest laws and financial statement review or audit results as well as internal audit status to the supervisors.

IV. If any supervisor attends the directors' meeting to state their opinion, it is necessary to specify the date, session, motions and resolution of the directors' meeting, and the Company's response to the opinion stated by the supervisor: None.

(III) Status of corporate governance, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
1. Whether or not the Company has enacted and disclosed its corporate governance best-practice principles according to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies?	✓		The Company has operated toward corporate governance principles, and complied with the Company's internal control system and related regulations.	No deviation
2. Equity structure and shareholders' equity (1) Whether or not the Company has defined its internal operating procedure for processing shareholders' suggestions, questions, disputes and legal actions, and implemented the procedure strictly? (2) Whether or not the Company has control over the list of major shareholders and the controlling parties of such shareholders? (3)Whether or not the Company establishes the risk control mechanism and firewall between the Company and its affiliates? (4) Whether or not the Company has defined its internal regulations to prohibit personnel from trading securities by means of the information undisclosed in the market?	✓ ✓ ✓ ✓		(1) The Company entrusted the shareholder service agent to handle the same on behalf of the Company, and also delegated the spokesman, deputy spokesman, and staff dedicated to investor relation and shareholder service to handle the suggestions, questions, disputes and litigation actions of shareholders. (2) The Company publishes the changes in shareholding of the insiders on the MOPS on a monthly basis, and maintains excellent relations with investors. (3) The Company and its affiliated companies operate independently, and each of them has defined its internal control system and regulations. The Company also defined the regulations governing supervision of subsidiaries and implemented the same. (4) The Company establishes the "Insider Trading Prevention Management Operation Procedure" and "Flexium Integrity Management Operation Procedure," clearly specifying the prohibitions on insider trading and non-disclosure agreement.	No deviation
3. Organization and responsibility of board of directors (1) Whether or not the board of directors has defined diversified policies toward formation of members and implemented the same strictly? (2) Whether or not the Company is willing to establish other functional committees pursuant to laws, in addition to Remuneration Committee and Audit Committee? (3) Whether or not the Company has defined the regulations governing performance appraisal on the board of directors and the mode of appraisal and performed the appraisal each year? (4) Whether or not the Company periodically evaluates the impartiality and independence of the independent CPA?	✓ ✓ ✓ ✓		(1) The Company conducted the 8th session of board of directors' meeting in June 2016 based on the diverse directives in order to install 7 seats of directors (including 2 seats of independent directors), where 1 member of the board of directors is a female. The professional knowledge and technical skill backgrounds of directors span across various aspects and industries of financial/accounting, technology, management and law... and are equipped with the knowledge, skills and qualities necessary for executing the duties. (2) The Company has established the Remuneration Committee, and in the future, the Company will also set up other similar functional committees depending upon the actual operation needs. (3) The Company performs the performance evaluation based on the level of contribution of directors/supervisors each year. (4) The Company performs the evaluation on the impartiality and independence of the independent CPA at least once annually, and the last evaluation result has been submitted to the board of directors on 2017.02.21 for approval. For the appraisal on independence of the independent auditor, please see Page 22 of the annual report.	No deviation
4. Whether or not the TWSE and TPEx companies establish full-time (concurrent) unit or personnel in charge of matters related to the	✓		The financial division of the Company is staffed with the full-time (part-time) employees for handling the company governance related affairs and such personnel are respectively responsible for:	No deviation

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Status</th><th rowspan="2">Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>Company governance (including but not limited to providing information necessary for directors and supervisors to perform duties, handling matters related to resolutions of the board of directors meeting and shareholders' meeting, handling of Company registration and change for board of directors and shareholders' meeting minutes, etc.)?</td><td></td><td></td><td>1. Providing documents necessary for the board of directors to perform their duties, preparation related to handling of board of directors' meeting and shareholders' meeting according to the law as well as preparation of meeting agenda and records.
2. Providing assistance in promoting and strengthen the company governance.
3. Handling company registration and change registration.</td><td></td></tr>
<tr><td>5. Whether or not the Company establishes the communication channels with interested parties (including but not limited to shareholders, employees, customers and suppliers etc.) and sets up the section exclusively for interested parties on the Company's website as well as responds to the important CSR issues concerned by the interested parties properly?</td><td>✓</td><td></td><td>1. The website of the Company is set up with the exclusive section for interested parties and maintains fair communication with shareholders, employees and suppliers via IR, shareholders' service, legal affairs, financial and other dedicated units by phone, fax and E-mail from time to time.
2. The Company's website is also equipped with the anti-corruption complaining mailbox. The Company also demands that colleagues and suppliers shall avoid unethical conduct and conflict of interest. Any case against the statement of integrity may be complained via 109@flexium.com.tw, in order to protect suppliers' interest and right.</td><td>No deviation</td></tr>
<tr><td>6. Whether or not the Company appoints a professional shareholder service agent to handle the affairs related to shareholders' meetings?</td><td>✓</td><td></td><td>The Shareholder Service Agent of Yuanta Securities appointed by the Company meets the qualifications defined under the Regulations Governing the Administration of Shareholder Services of Public Companies.</td><td>No deviation</td></tr>
<tr><td>7. Disclosure of information
(1) Whether or not the Company has established a website for disclosure of its financial position and status of corporate governance?

(2) Whether or not the Company also adopts other means for disclosure (e.g. set-up of an English website, appointment of dedicated personnel to collect and disclose the Company's information, implementation of spokesman system, and posting of the meeting minute with institutional investors on the Company's website)?</td><td>✓

✓</td><td></td><td>(1) The Company has established a website (www.flexium.com.tw) in Chinese, English and Japanese, disclosing the financial and company governance information, and dedicated personnel are responsible for the maintaining the update of the information. In addition, relevant information can be searched through the public information observation station.

(2) The Company has designated dedicated personnel (Financial Department personnel) to collect and disclose the information in order to control the Company's external information, and also appoints spokesman and deputy spokesman in order to disclose the latest and correct information of the Company via newspaper or important information irregularly. In addition, the information related to the overview of finance and business disclosed at the Company investors' meeting has been input into the MOPS per the requirements by TWSE.</td><td>No deviation</td></tr>
<tr><td colspan="5">8. Whether or not the Company has other important information helpful in understanding the Company governance operation status?
(1) Employees' interest and rights and care for employees:
The Company has handled the matter according to the Labor Standards Act and the human resource regulations in order to ensure that the employee welfare, pension system and various welfares are properly protected.

(2) Investor relations:
The Company delegates dedicated personnel to disclose the important messages about finance, business and changes of insiders' shareholdings on the "MOPS" per the relevant requirements in a timely manner, in order to make the information public and transparent. In addition, a spokesperson and deputy spokesperson are also appointed, and the Company's website is also set up to disclose the information required to be disclosed per the requirement at the same time. If necessary, investors may contact the Company via telephone, fax or email at any time.</td></tr>
</table>

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	

(3) Relationship with suppliers:

The Company has defined the supplier management procedure to assess the environmental protection, safety & health, and green products of the suppliers, and to integrate the procurement procedure, so as to select suppliers. In addition, the Company's website is also equipped with the anti-corruption complaining mailbox. The Company also demands that colleagues and suppliers shall avoid unethical conduct and conflict of interest. Any case against the statement of integrity may be complained via 109@flexium.com.tw, in order to protect suppliers' interest and right.

(4) Interested party's rights:

The Company maintains fair communication channels with employees, customers and suppliers to maintain both parties' legal interest and right. The Company's website also provides the "investment section" to disclose the Company's financial and stock information, and the spokesperson is delegated to answer investors' questions.

(5) Continuing education of directors and supervisors:

Latest status on continued education:

Name of director	Date of continued education	Organizer	Course name/organizer	Number of hours of education
Director Ji-Yan Liang	2017/7/7	Securities and Futures Development Foundation	2017 insider trading compliance promotional presentation	3.0
	2017/7/13	Securities and Futures Development Foundation	Civil liabilities of insider under company governance and Securities and Exchange Act	3.0
Director Yung Chang Chan	2017/7/7	Securities and Futures Development Foundation	2017 insider trading compliance promotional presentation	3.0
	2017/7/12	Securities and Futures Development Foundation	OTC: listed company's insider trading promotional presentation	3.0
Director Zhi Tang Lan	2017/5/5	Securities and Futures Development Foundation	2017 insider trading and corporate social responsibility seminar	3.0
	2017/8/11	Securities and Futures Development Foundation	Listed Company's insider trading compliance promotional presentation	3.0
Director Jeng Xi Shih	2017/5/5	Securities and Futures Development Foundation	2017 insider trading and corporate social responsibility seminar	3.0
Independent director Chien Hui Gong	2017/9/27	Accounting Research and Development Foundation	Key amendments of latest Labor Standards Act and corporate employee circulation internal audit practice	6.0
Supervisor Xun-Po Chuang	2017/5/5	Securities and Futures Development Foundation	2017 insider trading and corporate social responsibility seminar	3.0
	2017/7/21	Securities and Futures Development Foundation	2017 civil liabilities of insider under company governance and Securities and Exchange Act of listed company and un-listed company	3.0
Supervisor Pei-Ru Lin	2017/4/7	Securities and Futures Development Foundation	2017 insider trading and corporate social responsibility seminar	3.0
	2017/8/1	Securities and Futures Development Foundation	Listed Company's insider trading compliance promotional presentation	3.0

(6) Status of implementation of risk management policy and risk measurement standards:

Please refer to Page Nos. 70~71, "Chapter VI. Risk analysis and evaluation of the annual report".

(7) Status of execution of customers' policy:

The Company keeps in touch with customers closely and advises the customers of the products benefiting them and ensures that the products meet the reliability and quality as expected. Meanwhile, the Company will take part in the customers' social responsibility boosting plans actively and integrate any new views and approaches into the Company's management system.

(8) Status of liability insurance purchased by the Company for directors/supervisors:

The Company has not yet purchased liability insurance for its directors/supervisors, but it is already under evaluation.

Item	Status			Deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	

(9) Status of individual director implementing the policy on diversity of members of board of directors:

The Company conducts the re-election of the 8th session of board of directors in June 2016 according to the policy on diversity, and the implementation status of the diversity of directors is as follows:

Name of director	Gender	Main educational background	Industry experience	Academic experience	Professional field
Ming-Chih Cheng	Male	National Sun Yat-sen University	V		Financial/accounting and business administration
Yung Chang Chan	Male	Department of Law, National Taiwan University	V		Law
Ji-Yan Liang	Male	MBA, National Chengchi University	V		Business Administration
Jeng Xi Shih	Male	Department of Mechanical Engineering, National Cheng Kung University	V		Production management and business administration
Zhi Tang Lan	Male	PhD in Business Management at National Sun Yat-sen University	V		Law and business administration
Sun Deh Chang	Male	MBA, University of Wales	V		Business Administration
Chien Hui Gong	Female	Wichita State University, MBA		V	Accounting, auditing, financial and economics

9. The Corporate Governance Center of the Taiwan Stock Exchange Corporation announces the corporate governance assessment result improvement status in recent years:

To improve the company governance standard, the Company has achieved the following matters in 2017:

1. Disclosing the status of the communication between the independent directors and internal chief auditor and CPAs on the company website.
2. Disclosing the company governance information of at least the article of incorporation, company governance structure on the company website.

CPA independence assessment table

Evaluation index	Specific index	Assessment item	Yes	No	Remark
Independence	CPA independence	1. Whether or the independent auditor does not act as director of the Company or its affiliated Company?	V		
		2. Whether or not the independent auditor is not a shareholder of the Company or its affiliated Company?	V		
		3. Whether or not the independent auditor does not receive salary from the Company or its affiliated Company?	V		
		4. Whether or not the independent auditor confirms that his/her CPA firm has already complied with the requirements about independence.	V		
		5. Whether or not any CPA co-working with the independent auditor in the CPA firm does not act as director or manager of the Company or hold any position which will affect the audited case materially within one year upon resignation from the position?	V		
		6. The independent auditor has not provided the Company with audit service for seven years consecutively.	V		
		7. Whether or not the independent auditor meets the requirements about independence referred to article 10 in the CPA Code of Professional Ethics.	V		
Appropriateness	Financial report quality	1. Whether or not the annual financial statement is completed two months after the end of fiscal year.	V		
		2. Whether or not semi-annual financial statement is completed within one month after the end of half year.	V		
		3. Whether or not the first quarter and third quarter financial reports are completed within one month after the end of the first quarter and third quarter .	V		
	Communication and interaction status with the management level	1. Whether or not excellent communication channels are maintained with the Company management level and directors.	V		
		2. Whether or not the Company can be informed of the status of the change of laws immediately.	V		

(IV) Status of establishment, functions and operations of Remuneration Committee

1. Information about Remuneration Committee members

ID (Note 1)	Qualifications / Name	More than 5 years of experience and the following professional qualifications			Status of independence (Note 2)								Number of public companies where the person holds the title as Remuneration Committee member	Remark
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Pass the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8		
Independent director	Sun Deh Chang	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent director	Chien Hui Gong	Yes	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	None	
Others	Peng-Chun Wu	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	None	

Note 1: Please specify director, independent director or others.

Note 2: Respective members who meet the following qualifications 2 years before assumption of office and at the time of assumption of office shall put an “ “ in the appropriate space. ✓

(1) Not an employee of the Company or its affiliates

(2) Not a director or supervisor of the Company or its affiliates Nevertheless, where the person is an independent of the Company or its parent Company, subsidiary or set up according to this

Act or the law of the local government, such limitation shall not apply.

(3) Not a natural person, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.

(4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).

(5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.

(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific Company or institution in business or financial relation with the Company

(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, Company or institution that provide business, legal, financial and accounting services to the Company or its affiliates or a spouse to be the aforementioned person.

(8) Not under any of the categories stated in Article 30 of the Company Law

2. Information about status of Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) Current term of office: from June 28, 2016 to June 27, 2019; the Committee held 2nd (A) meetings in 2017, and the attendance of the Committee members is summarized as follows:

Job title	Name	Actual number of attending seats (B)	Attendance by proxy	Attendance rate (%) (B/A)	Remark
Convener	Sun Deh Chang	2	0	100.00	Reelected on June 28, 2016
Member	Chien Hui Gong	2	0	100.00	Reelected on June 28, 2016
Member	Peng-Chun Wu	2	0	100.00	Reelected on June 28, 2016
Other notes: I. Whether or not the board of directors rejects to accept or revises the recommendation of the Remuneration Committee: None. II. For the resolutions made by Remuneration Committee, whether the member has dissenting opinion or qualified opinion and is of record or written statement: None.					

(V) Implementation of corporate social responsibility:

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
1. Promote the implementation of corporate governance				
(1) Whether or not the Company has defined any social responsibility policy or system, and reviewed the implementation of the same?	✓		(1) Flexium "CSR Policy" is posted on the CSR Section of the Company's website. Corporate social responsibility policy of the Company: "Social care, Health, Green, Integrity, Improvement", and CSR Roadmap execution performance review is performed every quarter. Social care: Promote the spirit of social care, care the employee and feedback the society. Health: Create friendly workplace, improve employee physical and mental health Green: Pursuit of green factory, energy saving and carbon reduction to protect the earth. Integrity: Commit to integrity operation, legal transaction and protect intellectual property. Improvement: Improve management system, continue to improve and seek for root causes.	No deviation
(2) Whether or not the Company organizes social responsibility educational training programs periodically?	✓		(2) The Company organizes social responsibility educational training and re-training as well as new employee training every quarter along with the use of graphic memory method to allow employees to memorize CSR policy and KPI more easily in order to ensure that all employees of the Company understands the social responsibility and the determination of the Company in the implementation thereof.	
(3) Whether or not the Company has established any full-time (part-time) functional units dedicated to CSR handled by the high-rank management authorized by the board of directors and reporting to the board of directors?	✓		(3) In order to implement the CSR plan effectively, the Company established the CSR Committee, represented by the Director of Administration Division in order to establish, review corporate social liability policies, system or relevant management directives. The Committee members consist of labor interest and social participation members, work safety and environmental protection members, ethical management members, and management system members, and periodic management review meetings are convened in order to ensure the normal operation of the social responsibility management system of the Company. CSR budge, management plan, implementation progress are established every half year, and the managerial representative reports to the board of directors periodically.	
(4) Whether or not the Company has defined a reasonable remuneration policy and integrated the employees' performance appraisal system with the CSR policy, and also established express and effective reward and punishment system?	✓		(4) The operating status of the Company is described in the following: 1. The Company will organize the orientation training camp to explain the Company's policy to new employees, including SHE programs, corporate development orientation, management policy and related policies, and CSR philosophy. 2. The Company distributes the enterprise culture and policy cards to each colleague each year to propagate the Company's policies. 3. The Company provides the transparent and public performance appraisal mechanism and system. Colleagues may set their learning plan and also may define their personal annual objectives via communication and interview with their immediate supervisors. The Company will conduct the personal appraisal performance each year as the reference for raise, bonus and promotion.	
2. Development of sustainable environment				
(1) Whether or not the Company is striving to raise its resource usage effectiveness, reduce its environmental impact and improve its use of recyclable materials?	✓		(1) The Company is dedicated to recycling water resources, reducing waste water, and making good use of water resource. Since its delivery of the recycling system in 2009, the recycling rate has attained 32.5% until now. The Company also asks qualified recycling service providers to transform heavy metal to usable resources to reduce the environmental effect caused by emission of pollutants.	No deviation

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(2) Whether or not the Company has established an environmental management system appropriate to the characteristics of its industry?	✓		(2) The operations of environmental management system (ISO14001) may control the air pollutants, water pollutants and waste derived from the production process in the plant. Meanwhile, the Company will apply for the related permits with the local competent authorities. 1. Air pollution: obtain the "Fixed Pollution Source Operation Permit" issued by the environmental protection agency, and install scrubbing tower to process waste gas inside the plant in order to properly process the gas to reach the emission standard required by the law for emission. Maintenance is performed at least once every half a year. And Each year, the cleaning of the scrubbing tower shall be performed according to the actual condition annually. In addition, testing institution approved by the Environmental Protection Administration shall be appointed to perform periodic emission channel tests according to the laws. 2. Water pollution: Acquired the "water pollution prevention permit" issued by the environmental protection agency such that the waste water generated from the manufacturing process is handled by the preliminary waste water treatment equipment inside the plant in order to reach the Dafang Industry Park water treatment plant control standard for further drainage to the Dafang Industry Park water treatment plant in the jurisdiction. Every year, the waste water plant pipeline crystallization removal work was performed to increase the waste water treatment effective capacity and to reduce the agent addition amount with saving in cost expenditure in order to achieve the stability of the waste water treatment system. 3. Management of waste: To acquire the "waste disposal plan" approved by the environmental protection authority; to boost the waste reduction and classification management and recycle/reuse, and commission the disposal service providers approved by Environmental Protection Administration to process the waste.	
(3) Whether or not the Company is mindful of the impact of climate change on its operations, and is executing the greenhouse gas inspection, and developing a strategy to reduce carbon emissions and other greenhouse gas?	✓		(3)The Company is used to working hard to save energy and reduce carbon, and the new equipment will be installed with automatic water and power saving device to be in line with the scheduled centralized production to reduce the power consumption for standby and the environmental impact generated from the unnecessary power consumption. 1. To respond to the energy saving and carbon reduction campaign boosted in the world, the Company will conduct the greenhouse gas inspection to control the carbon emissions effectively. 2. To respond to the emission of greenhouse gas promoted by Environmental Protection Administration (including CO2, CH4, N2O and HFCs, but excluding HFCs, SF6 and PFCs already included into Montreal Protocol on Substances that Deplete the Ozone Layer). The Company will conduct the six greenhouse gas inspection in the Plant each year to continue controlling the carbon emissions and fulfill its corporate social responsibility. 3. 2017 carbon reduction target value: 64 tons of carbon dioxide amount with the energy management personnel performing the inspection on the high power consumption equipment inside the plant and the procurement of green energy, such that the actual achievement has reached 80.108 tons/carbon emission amount	
3. Maintenance of social public welfare (1) Whether or not the Company has defined related management policies and procedures per the relevant laws and international human right convention?	✓		(1) The Company took into consideration the international standards including Social Accountability 8000 and Electronic Industry Code of Conduct (EICC) and enacted the "Flexium CSR Policy" to ensure that the working environment is safe, employees' interest and right are protected and respected, pollution prevention of production process and product are fulfilled, and the corporate social responsibility is fulfilled. The Company maintains the life insurance, health insurance, and sickness/injury insurance for all employees (including full-time, part-time and temporary workers), and also offers the childbirth/child raising leave and pension fund. The Company also controls the working hours as permitted by laws, and also install the reminding and pre-alarm function for overtime hours in the attendance appraisal management system. HR Dept. and system will provide various data and automated notice to provide the management and employees with suggestions effectively. The Company's factory premises will also organize the labor-management meeting periodically. Important labor terms and conditions will be implemented upon resolution of the labor-management representatives from each plant to ensure that employees' interest and right and opinion are respected.	No deviation

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(2) Whether or not the Company has established any complaining mechanism and channel for employees and treated the complaints adequately?	✓		(2) There are diversified complaining channels for employees, including such tangible mailbox as "President's Mailbox" and email, and complaining hotline. The complaints will be managed and investigated by the supervisor of the dedicated unit (Audit Office) to ensure the confidentiality/safety of the complainant, fairness of investigation process, follow-up on continuous improvement and periodic report to the Chairman.	
(3) Whether or not the Company provides its employees with a safe and health working environment, and regularly implements employee's safety and health education measures?	✓		(3) The Company established its "E01 SHE Handbook" according to the latest ISO14001, OHSAS18001, related labor, safety and health and environmental protection laws and regulations, and plan, implement, check and review to ensure the completeness of the SHE management system, and then practice and integrate the well-founded health and safety management into the operations to keep higher morale and produce innovative products. The Company must be dedicated to creating a safe and health working environment for all of its employees. The Company established the medical center in which the factory physicians and nurses are stationed to provide health advice, in accordance with laws and, to maintain and promote labors' health. The Company will organize the labor health inspection, and health seminars to provide labors with health information each year. The emergency escaping drill may upgrade the labors' ability to stay calm in the case of emergency, e.g. the drills for fire protection, earthquake escape and leakage of chemical products, etc. The Company is equipped with AED, which is available to non-medical professionals in the case of heartbreak situation to prevent any situation under which the first aid cannot be sought in time. To encourage employees to implement health autonomous management, electronic sphygmomanometers are installed at all restaurants of each building and provided for employees to monitor the health index at any time.	
(4) Whether or not the Company establishes the mechanism for periodic communication with employees, and notification to employees of the circumstances which might materially affect the operation in a reasonable manner?	✓		(4) The Company will hold the monthly meeting each month, at which the president will explain the Company's overview of business and important motions to all employees, and the bilateral communication channel will be provided to employees and high-rank management. Each factory premises will organize the labor-management meeting per quarter pursuant to laws. To respond to material changes in operation or mass organizational adjustment, organize presentations from time to time, and have the president explain the Company's countermeasures to the section/department heads of each factory premises. For employee complaints or recommendations, the responsible supervisors shall submit reports to the President within 24 hours after receiving such complaints or recommendations, and relevant departments shall submit preliminary response and expected handling progress within 3 working days. In addition, after the handling of the matter is finished, the complaint investigation report shall be completed, and the complaint investigation report shall be completed within two weeks the latest. The Company will organize the high-rank management meeting per quarter, MBO meeting per month, and produce the card stating the Company's business policy and operating objectives and distribute the same to all employees to enable all employees to understand the Company's business policy and objectives.	
(5) Whether or not the Company establishes the effective career development and training plan for employees?	✓		(5) The Company establishes a complete training system and associated to the promotion system in order to ensure that employees are able to acquire skills necessary for performing duties. Received the TTQS Golden Award in 2016. "Promotion of Culture for Improvement" is the training policy of Flexium. Facing the increase of market competition, Flexium believes that continuous learning is able to provide energy and innovation for the Company. Through the introduction of TTQS, the talent cultivation system of Flexium is of greater depth and enhancement. Chairman Zheng and senior supervisors all participate in the promotion and training in person; in addition, the professional skill evaluation and learning development budges have been increased. We establish talent cultivation plans based on the skills, which can be divided into the core skills, management skills and professional skills. We plan various key cultivation courses for all levels such that the content is diverse and lively, and various different application activities after training are stipulated. In addition, the quality courses are further expanded to the Kunshan plant such that staff can effectively improve professional and management skills through "hands-on learning, learning from hands-on activities". The trained employees are able to not only achieve outstanding personal performance but also stimulate the team work performance growth such that numerous department improvement awards have been acquired. Most importantly, the contribution of talents can create benefits to the organization in order to allow the company to achieve outstanding performance; through the expansion of training outcome, all employees are able to further initiate, manage and execute various social public interest projects and to implement the corporate citizen responsibility.	

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(6) Whether or not the Company defines the related consumer protection policy and complaining procedure with respect to R&D, procurement, production, operation and service procedure etc.?	✓		(6) Not applicable, as the Company is not a manufacturer engaged in production of final products.	
(7) Whether or not the Company markets and labels products and services in accordance with the related laws and international standards?	✓		(7) Not applicable, as the Company is not a manufacturer engaged in production of final products.	
(8) Whether or not the Company has evaluated whether any supplier had the record affecting environment and society before trading with the supplier?	✓		(8) The Company will conduct audit and evaluation on suppliers and contractors about the social and environmental responsibility to ensure that suppliers and contractors comply with EICC or local laws and regulations. If the supplier or contractor violates the social and environmental responsibility, the cooperation between it and the Company will be affected.	
(9) Do the contracts between the Company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		(9) The contracts between the Company and its major suppliers do not include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society. Notwithstanding, if the Company's supplier violates its CSR policy and causes appreciable impact on the environment and society, the cooperation between it and the Company will be affected.	
4. Enhancing information disclosure (1) Does the Company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		(1) The Company has established its website at http://www.flexium.com.tw to disclose the information about approved quality, labor safety, environmental protection certification and feedback to the society, and designated dedicated unit and personnel to maintain and update the information.	No deviation

5. If the Company has established the corporate social responsibility principles based on the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the Principles and their implementation:
The Company has not yet established its corporate social responsibility principles. For the status of the Company's CSR, please see Page Nos. 24~28of this Annual Report.

6. Other important information facilitating understanding of the functioning of corporate social responsibility:
The Company is always committed to fulfill its corporate social responsibility, and the relevant public interest events are disclosed as follows

Date	Item
January 2016	The Company was invited by Dafa Industrial Park again to act as the convener of the Safety and Health Promotional Association of the Industrial Park to continue sharing the Company's experience, fulfill the educational training activities and reduce the occurrence of occupational disasters in the industrial park.
January 2016	In order to upgrade the volunteer fireman's equipment or training foundation, the Company sponsored Dafa Friends of Police Association and Daliao Volunteer Fireman Squad NT$50,000.
March 2016	"To maintain the public order and peace permanently, the police must be counted on." The policy is founded based on well-founded organization and legal system. The competent police must hold professional knowledge, healthy body and strong will, and shall take strict educational training usually. The Company considers that it should be an honor if it could train the competent police and, therefore, donated NT$2.02 million to Linyuan Branch in Kaohsiung City to help the Branch renovate the office and purchase new fitness equipment.

Item	Status			Deviation from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	

Date	Item
May 2016	The Company co-organized the family day with Chao Liao Elementary School in Daliao District, and invited Kaohsiung Yong An Children Home and teachers to attend the activity, in order to enable the disadvantaged group to feel the family love and to fulfill the Company's corporate social responsibility
May 2016	Received honor of "Top 2,000 Corporates in Taiwan Survey by CommonWealth Magazine: ranked 182th Company in manufacturing industry 2015, ranked 57th in revenue growth rate, and ranked 130th in profitability"
August 2016	Received the honor of "Ranked 272th among 500 corporates with outstanding import and export performance in 2015" by the Bureau of Foreign Trade.
September 2016	Received the award of "Golden Award for Enterprises and Institutes" of 2016 TTQS (Talent Quality Management System)
October 2016	The Company donated NT$ 2,100,000 dollars to Chaoliao Elementary School at Daliao District, Kaohsiung for the construction of library; the Company has not only provides donation but also participated in the design/planning/supervision of the construction, allowing children not at the areas of city, district, township and village can also have quality reading environment.
October 2016	The Company donated a fire prevention and rescue all-terrain vehicle of the value of NT$ 1,770,000 dollars to Daliao Fire Squat of the Kaohsiung City Government Fire Department in order to load various special equipment according to the needs of rescue and to cope with the special terrain of rivers and hills in Daliao as well as to expedite the rescue operation with reduction of personal loss.
January 2017	The Company was invited by Dafa Industrial Park again to act as the convener of the Safety and Health Promotional Association of the Industrial Park to continue sharing the Company's experience, fulfill the educational training activities and reduce the occurrence of occupational disasters in the industrial park.
January 2017	To prevent crime, the Company supports the police work development and has sponsored the Dafa Police Association and Daliao Police Association as well as the Chaoming Police Association a total of NT$ 60,000.
May 2017	The Company is honorably published in "the Top 2,000 Corporates in Taiwan Survey by CommonWealth Magazine: ranked 173rd Company in manufacturing industry 2016, ranked 86th in net income after tax", wherein the growth rate and profitability are ranked No. 1 in flexible board plants in Taiwan.
May 2017	In order to upgrade the volunteer fireman's equipment or training foundation, the Company sponsored Dafa Friends of Police Association and Daliao Volunteer Fireman Squad NTD 30,000.
May 2017	The Company co-organized the family day with Chao Liao Elementary School in Daliao District, and invited Kaohsiung Yong An Children Home and teachers to attend the activity, in order to enable the disadvantaged group to feel the family love and to fulfill the Company's corporate social responsibility. Organized the blood donation activity, and there were 117 participants for a total 40,000cc of blood donation.
June 2017	The Company further cooperated with Chaoliao Elementary School to plan the "Flexium Dream Workshop." Chaoliao Elementary proposed the integration of skills into handicrafts for interest cultivation in order to improve the scientific creativity of students, development of woodwork courses to create relevant wooden works, such that the sense of accomplishment and self-confidence of students can be enhanced, thereby further improving the artistic quality of students, and the an investment of NT$ 180,000 was made for the construction.
July 2017	During the fire crew missions in rescuing patients, one of the important tasks is to wear vests as identification and as road reflective sign, which is also a protective gear for firemen. With the understanding that the insufficient budget of the Fire Department such that the vests cannot be replaced, for the concern of the safety of firemen, the Company donated 1,200 vests to the Fire Department of all Kaohsiung City for the rescue and personnel on duty, and the complete replacement of the vests cost was NT$ 800,000.
August 2017	Linyuan Office Director indicated that there were existing patrol cars reaching the disposal period of useful lifetime, and they were not adequate for use, and the Department had longed for replacement of existing patrol cars through private funding in order to fight crimes and prevent crimes. After the Company understood the needs of the Office, the Company donated one domestic Luxgen 2,000 cc. as the police patrol car of Linyuan Office, and the cost was NT$ 800,000.
October 2017	The Company received the honor of 2016 Occupational Safety and Health Outstanding Unit from the Labor Affairs Bureau of Kaohsiung City.
November 2017	The Company received the National Industrial Section "Outstanding Member Enterprise Award" of the Industrial Sector Occupational Safety and health Promotional Plan.
December 2017	in 2017, when the Company learned that the Angel's Garden had the needs for materials and financing, and the official car was a second-hand car for transporting children in the facility to hospitals for treatment, recovery, medical care, and since the official car parking outdoor had no shelter, the Company provided NT$ 180,000 for the construction of parking lot rain shelter.
2017	The Company received the award for Safety Culture Demonstration Enterprise in Kunshan City.
2017	The Company received the award for Top 10 Best Food Safety Standard Management Advanced Unit in Kunshan City.
2017	The Company received the award for Excellent Tax Payment Enterprise for Kaoxin District of Kunshan City
2017	The Company received the award for Excellent Transformation and Upgraded Enterprise for Kaoxin District of Kunshan City

The Company will continue to care the locals and do things helpful to the society to keep fulfilling its corporate social responsibility.

7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: None

(VI) Corporate observance of ethical business practices and adopted measures:

Item	Status			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
1. Establish ethical business policies and programs				No deviation
(1) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	✓		(1) In order to implement the ethical corporate management policies and prevent unethical conduct, the Company has defined "Flexium Operating Procedure for Ethical Corporate Management" according to the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and the related laws applicable within the jurisdiction where the Company and Group companies and organizations operate on December 24, 2015, which expressly regulate the requirements to be noted by the Company's personnel when conducting business and strictly require that each employee must comply with the Procedure.	
(2) Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	✓		(2) The Company expressly stated various unethical conducts in "Flexium Operating Procedure for Ethical Corporate Management", as well as operating procedures, guidelines of conduct, punishment for violation and rules of appeal, and implemented the same.	
(3) Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?	✓		(3) The Company expressly stated various unethical conducts in "Flexium Operating Procedure for Ethical Corporate Management", as well as operating procedures, guidelines of conduct, punishment for violation and rules of appeal, and implemented the same.	
2. Implementation of ethical management				No deviation
(1) Does the Company evaluate its business partner's ethical records and include ethics-related clauses in business contracts?	✓		(1) Before establishing a business relationship with another person, the Company shall evaluate the legal compliance and ethical management records of agents, suppliers, customers or other trading counterparts and check whether they involve any unethical records to ensure that its business operates in a fair and transparent manner, and it will never ask for, provide or accept bribe.	
(2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of ethical management, and report the status thereof to the board of directors periodically?	✓		(2) The Company has established the Ethics Management Committee as the dedicated unit is responsible for amendments, execution, interpretation, consultation service and reported contents registration and documentation according to "Flexium Operating Procedure for Ethical Corporate Management." The unit shall also help the board of directors and management conduct the audit and evaluation on whether the preventive measures established for the ethical management operate effectively.	
(3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) The Company has established the prevention of conflict of interest in the "Flexium Operating Procedure for Ethical Corporate Management" and it also provides appropriate report channels for explanations on the potential conflict of interest of the Company.	
(4) Whether or not the Company establishes effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	✓		(4) The Company has established the "internal control system". The internal audit unit will assess the risk periodically and set the audit plan, and conduct the relevant audit per the plan, and special audit, if necessary. The internal audit unit will also report the audit result to the board of directors periodically to enable the management to understand the status of the Company's internal control and achieve the purpose of management.	
(5) Does the Company regularly hold internal and external educational trainings on ethical management?	✓		(5) The Company's dedicated unit shall organize the internal propagation each year and arrange the Chairman or high-rank management to communicate the importance of ethics to directors, employees and appointees. In 2017, the Company organized the internal and external educational trainings (including the compliance of ethical management regulations, anti-corruption training related courses) related to the ethical management related topics for a total of 2,148 employees, and a total of 7,250 people hours.	

Item	Status			Deviation from the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
3. Operations of the Company's complaining system (1) Whether or not the Company establishes both complaining and reward/punishment systems, and also convenient complaining channels, and designate competent dedicated personnel against the accused? (2) Whether or not the Company establishes standard operating procedures for accepting complaints and related non-disclosure mechanism? (3) Whether or not the Company provides proper whistleblower protection?	✓ ✓ ✓		(1) The Company expressly states in "Flexium Operating Procedure for Ethical Corporate Management" that: 1. The Company encourages internal and external personnel to complain unethical conduct or misconduct, and will grant reward subject to the complained case. If the internal personnel make false or malicious accusation, the personnel shall be disciplined, and dismissed if the case is material. 2. The Company has set up and published the internal independent complaining mailbox (http://www.flexium.com.tw/big5/green_109.asp) available to the Company's internal and external staff on the Company's website and intranet. (2) The Company has defined the standard operating procedures for accepting the complaints and related non-disclosure mechanism in "Flexium Operating Procedure for Ethical Corporate Management". (3) The personnel from the Company's dedicated unit in charge of the complaints shall state in writing that the complainant's identity and contents of complaint will be kept confidential. The Company also promises to protect the complainant from being treated improperly due to the complaint, and applies "Flexium Operating Procedure for Ethical Corporate Management".	No deviation
4. Enhancing information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MPOPS?	✓		(1) The annual report posted by the Company on the Company's website (also posted on MOPS) has detailed the information about the effect achieved by the Company for promoting ethical management .	No deviation
5. If the Company has established the ethical corporate principles based on the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the Principles and their implementation: No deviation.				
6. Other important information facilitating understanding of the importation information on the ethical business operation status of the Company: None.				

(7)If the Company has defined its corporate governance principles and related regulations, it shall disclose the way to access the rules and regulations: the Company's corporate governance rules all followed the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies". Therefore, the Company doesn't define any corporate governance principles or related regulations.

(8)Other important information that helps understand corporate governance: please view MOPS at mops.twse.com.tw and the Company's website at www.flexium.com.tw.

(9)Status of internal control system:

1. Statement on Internal Control System:

台郡科技股份有限公司

內部控制制度聲明書

日期：107年2月7日

本公司民國106年度之內部控制制度，依據自行評估的結果，謹聲明如下：

一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。

二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。

三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1.控制環境，2.風險評估，3.控制作業，4.資訊與溝通，及5.監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。

四、本公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。

五、本公司基於前項評估結果，認為本公司於民國106年12月31日的內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。

六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。

七、本聲明書業經本公司民國107年2月7日董事會通過，出席董事7人中，無人持反對意見，均同意本聲明書之內容，併此聲明。

台郡科技股份有限公司

董事長兼總經理：鄭明智 簽章

2.If the Company retains CPA's service for examining internal control system, the independent auditor's report shall be disclosed: None.

(10)The punishment delivered to the Company and its staff or, the punishment delivered by the Company to the staff for a violation of internal control system, the major nonconformity, and the corrective action in the most recent year and until the date of publication of the annual report:

1.According to the result of labor inspection conducted by Kaohsiung City Government in 2017, the Company was held having employees work overtime against Paragraph 2 of Article 32 of the Labor Standard Law. Therefore, the Company was fined NT$20,000 and NT$40,000 on December 26, 2017 respectively. The Company paid the fine pursuant to laws, and also asked the responsible unit to comply with the relevant requirements defined under the Labor Standard Law to meet the labor laws and regulations.

2.In 2017, the Company complies with the regulations of the Securities and Exchange Act, Company Act as well as labor and environmental protection related laws completely. However, there was only one administrative operation error such that a fine of NTD 20,000 was imposed. The Company has performed operation adjustments for relevant defects.

(11) Materials resolution by shareholders' meeting and the Board of Directors during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report:

1. Important resolutions of shareholders' meeting and execution status:

Meeting date	Material resolution	Execution status:
2017.06.22	Proposals: 1.Acceptance of proposal of review report on 2016 financial statements 2.Acceptance of proposal for distribution of 2016 profits	Result of resolution has been followed. August 9, 2017 was specified as the distribution base date, and according to the resolution of the shareholders' meeting, all of the dividends have been distributed completely on September 20, 2017. (Cash dividend per share NT$ 2.5)
	Discussions: 1.Proposal for new shares issued through capitalization of earnings and distribution of cash:	August 9, 2017 was specified as the distribution base date, and according to the resolution of the shareholders' meeting, all of the dividends have been distributed completely on September 20, 2017. (Issuance of 50 shares for every thousand shares, and cash dividend of NT$2 per share.)

2. Materials resolution of board of director:

Date	Material resolution
2016/1/25	1.Approval on the proposal of the Company establishing new subsidiary at PRC via third place investment 2.Approval on the land and facility acquisition of the Company for newly established subsidiary
2017/2/21	1.Approval on issuance of 2016 "Statement on Internal Control System" 2.Approval on the 2016 remuneration distribution to employee, directors and supervisors 3.Approval on the 2016 financial statements of the Company. 4.Approval the date, location and contents of 2016 shareholders' meeting 5.Approval on acceptance of the meeting period and location of shareholders' meeting

Date	Material resolution
	proposed by shareholders holding 1% or more of shares of the Company in written form 6.Approval on the independence and adequacy assessment for the Company's certified public accountants 7.Approval on the proposal for the personnel and organization restructuring of the Company 8.Approval on the transfer of treasury shares to employees of the Company
2017/5/4	1.Approval on the 2016 earnings distribution 2.Approval on the proposal for a new share issue through capitalization of capital reserve and the distribution of cash 3.In cooperation with the internal adjustment of the auditing and certification CPA firm of the Company, CPA was accordingly 4.Approval on the Company's consolidated financial statements of the first quarter of 2017 5.Approval on the revision of the contents of 2017 shareholders' meeting
2017/6/28	1.Approval on the review of the budget proposal for the second half of 2017 2.Approval on the proposal for a new share issue through capitalization of capital reserve and the proposal for the base date of ex-rights/ex-dividends for the distribution of cash dividends of the Company.
2017/8/4	1.Approval on the Company's consolidated financial statements of the second quarter of 2017 2Approval on the extension of loans to subsidiaries
2017/11/1	1.Approval on the Company's consolidated financial statements of the third quarter of 2017 2.Approval on the disposal of financial products of the Company 3.Approval on the proposal for repurchasing the Company's shares in accordance with related regulations
2017/12/21	1.Approval on the 2018 audit project 2.Proposal on revision of the "Board of Directors' Meeting Regulations" of the Company 3.Proposal on revision of the "Procedures for Asset Acquisition or Disposal" of the Company 4.Approval on the proposal of revision of partial contents of the purpose of repurchasing the Company's shares subject to the amendments to related regulations.
2018/2/7	1.Approval on issuance of 2017 "Statement on Internal Control System" 2.Approval on the 2017 remuneration distribution to employee, directors and supervisors 3.Approval on the 2017 financial statements of the Company. 4.Approval the date, location and contents of 2017 shareholders' meeting 5.Approval on acceptance of the meeting period and location of shareholders' meeting proposed by shareholders holding 1% or more of shares of the Company in written form 6.Approval on the independence and adequacy assessment for the Company's certified public accountants 7.Approval on proposal of impact assessment of IFRS16 "Lease" 8.Approval on proposal of fund raising plan of the Company

(12)Recorded or written statements made by a director or supervisor which specifies dissent to important resolution passed by the board of directors during the most recent year and up to the date of publication of the annual report: None.

(13)Resignation or dismissal of the Company's Chairman, president, chief accountant, financial officer, internal chief auditor and R&D officer: None.

V. CPA professional fee information

(1) CPA professional fee information level table

Name of Accounting Firm	CPA's Name		Duration of audit	Remark
PwC Taiwan	Liao, Ah-Shen	Chih-Chih Wu	2017	

Unit: NT$ in thousand

Fee level	Professional fee items	Audit fees	Non-audit fees	Total
1	Less than NT$2,000 thousand dollars		v	
2	NT$2,000 thousand dollars (inclusive)~4,000 thousand dollars	v		
3	NT$4,000 thousand dollars (inclusive)~6,000 thousand dollars			v
4	NT$6,000 thousand dollars (inclusive)~8,000 thousand dollars			
5	NT$8,000 thousand dollars (inclusive)~10,000 thousand dollars			
6	Above NT$10,000 thousand dollars (inclusive)			

(2) In the case of non-audit fees paid to the CPA, CPA firm and their affiliates exceeded the audit fees in excess of 25%, the audit fees and non-audit fees and the contents of non-audit service shall be disclosed:

Unit: NT$ in thousand

Name of Accounting Firm	CPA's Name	Audit fees	Non-audit fees					CPA audit period	Remark
			System design	Commercial and industrial registration	HR	Others	Sub-total		
PwC Taiwan	Ah-Shen Liao and Chien-Chi Wu	3,697	—	—	—	562	562	2017	Inventory scrap, transfer pricing report, corporate bond issuance opinion and recapitalization of capital surplus fee

(3) In case the audit fees paid in the year retaining service from another CPA Firm is less than the audit fees paid in the year before, the amount of audit fees before/after the change of CPA Firm and the reasons for said changes must be disclosed: Not applicable.

(4) For audit fees reduced by more than 15% than the previous fiscal year, the amount of reduction, ratio and reason of the audit fees shall be disclosed: Not applicable.

VI. Change of CPA information

(1) About previous CPA

<table>
<tr><td>Date of change</td><td colspan="4">Starting from Q1 of 2017</td></tr>
<tr><td>Reason of change and description</td><td colspan="4">Internal organization and personnel adjustment of CPA firm</td></tr>
<tr><td rowspan="3">Description on whether or not the appointer or CPA terminates or refuses the appointment</td><td colspan="2">Contractual parties
Status</td><td>CPA</td><td>Appointer</td></tr>
<tr><td colspan="2">Active termination of appointment</td><td>v</td><td>x</td></tr>
<tr><td colspan="2">No longer accept (continue) appointment</td><td>x</td><td>x</td></tr>
<tr><td>Comments and reasons for audit reports other than the unqualified opinion issued in the last two years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Any discrepancies with the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principle or practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statement</td></tr>
<tr><td></td><td colspan="2">Audit scope or step</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">v</td></tr>
<tr><td colspan="4">Description: None</td></tr>
<tr><td>Other disclosures (Contents required for disclosure according to Sub-paragraphs 1-4 to 1-7 of Paragraph 6 of Article 10 of these regulations)</td><td colspan="4">None</td></tr>
</table>

(2) About CPA in succession

Firm Name	PwC Taiwan
CPA's Name	Chih-Chih Wu
Date of appointment	On May 4, 2017, the board of directors' meeting approved the proposal on change of company's CPA -- in cooperation with the internal regulations and personnel adjustment of PwC Taiwan. Starting on the 1st quarter of 2017, CPA Ah-Shen Liao and CPA Chien-Chih Wu become the appointed CPAs.
Accounting process method of accounting principle for specific transactions and comment consultation and result possibly issued on the financial report before the appointment	None
Written opinions of CPA in succession different from the opinions of previous CPA	None

(3) Written response of previous CAP for matters described in Subparagraph 1 and Subparagraph 2-3 of Paragraph 6 of Article 10 of these regulations: Not applicable.

VII. Information on the chairman, president, financial and accounting manager of the Company who has worked with the Company's external auditors or the affiliates to such auditors in the most recent year

None

VIII. Any transfer of equity interests and pledge of equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10%

Change in equity of directors, supervisors, managers and major shareholders

Job Title	Name	2017		up to April 30, 2018	
		Shares held Shares increased (decreased)	Increase (decrease) in shares pledged	Shares held Shares increased (decreased)	Number shares under pledge Shares increased (decreased)
Corporate director	Chilien Investment Co., Ltd.	280,330	0	0	0
Corporate director	Tai Peng Development Co., Ltd.	676,963	0	0	0
Chairman and manager	Ming-Chih Cheng	279,475	(200,000)	0	0
Corporate director representative and manager	Zhi Tang Lan	24,730	0	(40,000)	0
Corporate director representative	Yung Chang Chan	0	0	0	0
Corporate director representative	Ji-Yan Liang	0	0	0	0
Corporate director representative	Jeng Xi Shih	(200,077)	0	0	0
Independent director	Sun Deh Chang	0	0	0	0
Independent director	Chien Hui Gong	0	0	0	0
Supervisor	Xun-Po Chuang	36,139	0	0	0
Supervisor	Pei-Ru Lin	68,841	0	0	0
Manager	Yu-Tai Cheng	29,153	0	(23,000)	0
Manager	Chao-Rong Gong	19,533	48,000	0	0
Manager	Chia-Hsien Tang	46,461	0	0	29,000
Manager	Ya-Shih Hsiung	50,118	0	0	0
Manager	Ruei-Chun Ma	28,603	0	0	0
Manager	Yi-Wen Shan	65,235	0	(9,000)	0
Manager	Zhe-Ming Chang	14,930	0	0	0
Manager	Chi-Feng Tsai (Note 1)	-	-	1,000	0

Note: The officers identified in the name list are the existing officers on the date of publication of the annual report.

Note 1: Approved by the board of directors' meeting on 2018.2.7 as the manager.

(2)Change of equity interests of directors, supervisors, managers and major shareholders: None.

(3) Pledge of equity interests of directors, supervisors, managers and major shareholders: None.

IX. Information about top 10 shareholders in proportion of shareholdings and who are related parties to one another, spouses, or blood relatives within the second degree of kinship

April 16, 2018

Name	Shares held in own name		Current shares held by the spouse and children of minor age		Total shareholding under the name of a third party		Information on top 10 shareholders in proportion of shareholding, who are related to one another, or are kin at the second pillar tier under the Civil Code related to one another, their names and relationship.		Remark
	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Shares held	Ratio of shareholding	Name	Relationship	
Cathay Life Insurance	19,860,958	6.43%	0	0%	0	0%	None	None	
Tai Peng Development Co., Ltd.	14,349,784	4.65%	0	0%	0	0%	Ming-Chih Cheng	Company responsible person	
HSBC trusted Value Partners High-Dividend Stocks Fund Investment Account	11,098,185	3.59%	0	0%	0	0%	None	None	
Nanshan Life Insurance	7,856,000	2.54%	0	0%	0	0%	None	None	
Fubon Life Insurance Co., Ltd.	5,495,117	1.78%	0	0%	0	0%	None	None	
HSBC trusted Embankment Emerging Market Fund	5,267,904	1.71%	0	0%	0	0%	None	None	
JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Emergency Market Stock Index Fund Investment Account Managed by Vanguard Group Corporation	4,765,260	1.54%	0	0%	0	0%	None	None	
Deutche Bank Taipei Branch trusted for the custody of Rechard new emerging market small company stock trust investment account	4,169,042	1.35%	0	0%	0	0%	None	None	
Ming-Chih Cheng	4,106,360	1.33%	75,386	0.02%	0	0%	Tai Peng Development Co., Ltd.	Company responsible person	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,836,802	1.24%	0	0%	0	0%	None	None	

Note: This form includes information till the last book closure of the Company before the printing date of the annual report.

X. Quantity of shareholdings of the same investee by the Company, and directors, supervisors, managerial officers of the Company and the business directly or indirectly controlled by the Company, and the combined shareholdings

April 30, 2018 Unit: Thousand shares; %

Investee	Invested by the Company		Invested by directors, supervisors, managers, and enterprises controlled by the Company directly or indirectly		Combined investment	
	Shares held	Shareholding ratio	Shares held	Shareholding ratio	Shares held	Shareholding ratio
FLEXIUM INTERCONNECT INC.	31,173	100%	0	-	31,173	100%
UFLEX TECHNOLOGY CO., LTD.	15,849	100%	0	-	15,849	100%
Jun Feng investment Co., Ltd.	5,000	100%	0	-	5,000	100%
GRANDPLUS ENTERPRISES LTD.	1,881	100%	0	-	1,881	100%
SUCCESS GLORY INVESTMENTS LTD	28,010	100%	0	-	28,010	100%
FLEXIUM INTERCONNECT AMERICA LLC.	(Note)	100%	(Note)	-	(Note)	100%
CHOSEN GLORY LIMITED	0	100%	0	-	0	100%
CHAMPION BEYOND LIMITED	0	100%	0	-	0	100%
FOREVER MASTER LIMITED	0	100%	0	-	0	100%
BOOM BUSINESS LIMITED	20,000	100%	0	-	20,000	100%
CLEAR SUCCESS GLOBAL LIMITED	20,000	100%	0	-	20,000	100%
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION (Note 3)	(Note)	100%	(Note)	-	(Note)	100%
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION.	(Note)	100%	(Note)	-	(Note)	100%

Note: Not applicable, as it is a limited company.

D. Status of fund raising

I. Capital and shares

(1) Source of capital stock

Unit: shares/NT$

Year/Month	Issuance Price	Authorized capital stock		Paid-in capital		Remark		
		Shares held	Amount	Shares held	Amount	Source of capital stock	Offset by any property other than cash	Others
2017.01	10	360,000,000	3,600,000,000	299,104,374	2,991,043,740	Convert the convertible bonds into NT$ 79,456,860 dollars Convert the stock options into NT$1,755,000	None	Note 1
2017.03	10	360,000,000	3,600,000,000	300,372,320	3,003,723,200	Convert the convertible bonds into NT$ 12,679,460 dollars	None	Note 2
2017.07	10	360,000,000	3,600,000,000	303,176,214	3,,031,762,140	Convert the convertible bonds into NT$ 28,038,940 dollars	None	Note 3
2017.08	10	360,000,000	3,600,000,000	317,682,376	3,176,823,760	Convert the convertible bonds into NT$539,150 Convert the stock options into NT$430,000 Recapitalization of capital surplus of NT$ 144,092,470	None	Note 4
2018.01	10	360,000,000	3,600,000,000	317,991,158	3,179,911,580	Convert the convertible bonds into NT$ 2,267,820 dollars Convert the stock options into NT$820,000	None	Note 5

Note 1: January 13, 2017 Jing-Shou-Shang-Tzi No. 10601001840 Letter approval.

Note 2: March 9, 2017 Jing-Shou-Shang-Tzi No. 10601031430 Letter approval.

Note 3: July 13, 2017 Jing-Shou-Shang-Tzi No. 10601097100 Letter approval.

Note 4: August 30, 2017 Jing-Shou-Shang-Tzi No. 10601122450 Letter approval.

Note 5: January 25, 2018 Jing-Shou-Shang-Tzi No. 10701002950 Letter approval.

Type of share	Authorized capital stock			Remark
	Outstanding shares	Unissued shares	Total	
Common stock	317,991,158	42,008,842	360,000,000	Publicly listed

Note: Shelf registration system related information: Not applicable.

(2) Composition of shareholders

April 16, 2018

Composition of shareholders / Quantity	Government apparatus	Financial organization	Other juristic persons	Individual	Foreign institute and foreigner	Total
number of people	5	15	161	38,588	243	39,012
Shares held	8,158,095	42,333,783	25,492,744	135,048,640	97,865,239	308,898,501
Shareholding ratio	2.64%	13.70%	8.25%	43.72%	31.68%	100.00%

(3) Diversification of equity (no preferred stock issued)

April 16, 2018

Range of shares	Number of shareholders	Shares held (shares)	Shareholding ratio (%)
1~999 shares	14,589	2,122,844	0.69%
1,000~5,000 shares	19,819	38,293,951	12.40%
5,001~10,000 shares	2,368	17,993,137	5.82%
10,001~15,000 shares	779	9,743,825	3.15%
15,001~20,000 shares	398	7,254,130	2.35%
20,001~30,000 shares	319	8,063,498	2.61%
30,001~40,000 shares	191	6,748,656	2.18%
40,001~50,000 shares	98	4,521,888	1.46%
50,001~10,000 shares	203	14,420,845	4.67%
100,001~200,000 shares	99	13,793,944	4.47%
200,001~400,000 shares	63	18,088,871	5.86%
400,001~600,000 shares	27	12,685,634	4.11%
600,001~800,000 shares	12	8,454,909	2.74%
800,001~1,000,000 shares	11	9,682,127	3.13%
1,000,001 shares and above	36	137,030,242	44.36%
Total (Note)	39,012	308,898,501	100.00%

(4) Roster of major shareholders

April 16, 2018

Name of major shareholder \ Shares	Shares held	Shareholding ratio
Cathay Life Insurance	19,860,958	6.43%
Tai Peng Development Co., Ltd.	14,349,784	4.65%
HSB trusted Value Partners High-Dividend Stocks Fund Investment Account	11,098,185	3.59%
Nanshan Life Insurance	7,856,000	2.54%
Fubon Life Insurance Co., Ltd.	5,495,117	1.78%
HSBC trusted Embankment Emerging Market Fund	5,267,904	1.71%
JPMorgan Chase Bank, N.A. Taipei Branch trusted Vanguard Emergency Market Stock Index Fund Investment Account Managed by Vanguard Group Corporation	4,765,260	1.54%
Deutche Bank Taipei Branch trusted for the custody of Rechard new emerging market small company stock trust investment account	4,169,042	1.35%
Ming-Chih Cheng	4,106,360	1.33%
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	3,836,802	1.24%

(5) Information of market value, net value, earnings and dividends per share for the most recent two years:

Unit: NT$ dollars / thousand shares

Item \ Year			2016	2017	The current year ends on April 30, 2018
Market value per share	Highest		94.30	143.00	120.50
	Lowest		65.30	85.50	78.10
	Average		83.24	111.90	105.83
Net value per share	Before distribution		51.92	56.17	(Note 8)
	After distribution (Note 1)		49.54	(Note 7)	Not applicable
Earnings per share	Weighted average shares (thousand shares)		270,196	303,555	(Note 8)
	EPS (Note 2)	Before adjustment	8.42	10.07	(Note 8)
		After adjustment	7.99	(Note 7)	Not applicable
Dividends per share	Cash dividends		4.5	(Note 7)	Not applicable
	Free-Gratis dividends	Retained shares distribution	0	(Note 7)	Not applicable
		Capital surplus shares distribution	0.5	(Note 7)	Not applicable
	Retained dividends (Note 3)		0	(Note 7)	Not applicable
Return on investment analysis	Price-Earnings Ratio (Note 4)		9.89	(Note 7)	Not applicable
	Dividend yield (Note 5)		18.50	(Note 7)	Not applicable
	Cash dividend yield (Note 6)		5.41%	(Note 7)	Not applicable

Note 1: Please identify the status of distribution according to the resolution made by the shareholders' meeting held in the following year.

Note 2: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 3: If the terms and conditions under which the equity securities are issued provide that the stock dividend retained in the then year may be accumulated until the year in which there are allocable earnings available, please disclose the retained stock dividend accumulated until the then year.

Note 4: Price-Earnings Ratio = Average closing price per share in current year/earnings per share.

Note 5: Dividend yield = average closing price per share in current year/cash dividend per share.

Note 6: Cash dividend yields = cash dividend per share/average closing price per share in current year.

Note 7: Up to the printing date of the annual report, the board of director has not approved the 2017 surplus distribution proposal.

Note 8: Up to the printing date of the annual report, all financial statements for the first quarter have been reviewed completely by CPA.

(6) Dividend policy and status of implementation

1. Dividend policy defined under the Articles of Incorporation

Article 29: If the Company has surplus profits after annual accounting of revenues and expenditures, it shall have its losses covered and all taxes and dues paid and set aside ten percent of the remaining profits as a legal reserve. However when the legal reserve amounts to the authorized capital, this shall not apply. In addition, after a special reserve is provided or reserved in compliance with the laws and regulations, the board of directors may combine the remaining balance with the undistributed earnings at beginning period as accumulated distributed earnings, and depending on the available fund and economic situation, to submit proposal for approval in the shareholders meeting for earning distribution.

Article 30: The industry that the Company is in is still in the growing stage. The Company expects it will have cash demand for the expansion of production line in the coming years. The proposal to distribute earnings out of distributable accumulated earnings in relation to Article 29 is submitted for approval by the Shareholders Meeting. Among which, the cash dividends shall not be less than 5% of total dividends distributed. However if cash dividend will be less than NT$ 0.1 per share it will not be distributed, the stock dividends will be distributed instead.

2. Status of distribution of dividends proposed at the 2017 shareholders' meeting:

Up to the printing date of the annual report of current fiscal year, the board of director of the Company has not yet approved the proposed amounts for the distribution of dividends and the distribution of employee remuneration and director remuneration; relevant information can be searched via the Market Observation Post System after the convention of relevant meetings.

3. Expected materials changes in the dividend policy: None.

(7) The Impact of allotment of free dividends on business Performance and EPS: Not applicable.

(8) Remuneration to employees, directors and supervisors:

1. Proportion or scope of employee bonus and remuneration to directors/supervisors as stated in the Company's Articles of Incorporation:

Depending on the profits of the current year, the Company shall distribute no lower than 2% of the profit as employees' compensation, and no higher than 2% of the profit as compensation to directors and supervisors. However, if the Company has accumulated losses the profits shall be used to cover the losses before it can make any distribution.

The employee's compensation may be distributed in stocks or cash, the parties to whom the compensation distributed to may include employees of affiliated companies

The profit of current year mentioned in the first item refers to the profit before tax in current year inclusive of the compensation to employees, directors and supervisors.

A Company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as compensation to employees, directors and supervisors, and reported to the shareholders meeting for approval.

2. The accounting in the case of deviation from the basis for stating employee bonus and remuneration to directors/supervisors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:

It is deemed to be a change in accounting estimates and is listed as the change of annual profit and loss.

3. Information about the motion for allocation of remuneration resolved by a directors' meeting:

(1) The amount of remuneration to employees distributed in cash or stock, and remuneration to directors and supervisors.

A. Resolved to allocate for the employees the cash dividend NT$93,000 thousand dollars, which has no deviation from that, NT$93,000 thousand dollars, estimated in the financial statement 2017.

B. Resolved to allocate the directors/supervisors the remuneration, NT$15,000 thousand, which has no deviation from that, NT$15,000 thousand, estimated in the financial statement 2017.

C. The cause resulting in discrepancy from the estimated figures for employee bonus and remuneration to directors/supervisors, and the status of treatment: Not applicable, as there is no discrepancy.

(2) The amount of remuneration to employee distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income and total remuneration to employees: None.

4. Allocation of remuneration reported at a shareholders' meeting, and the result thereof:

The motion for allocation of earnings 2017 is still under resolution by the shareholders' meeting.

5. Actual distribution status of the remunerations for employees, directors and supervisors of the previous fiscal year:

The 2016 distribution proposal approved in the shareholders' meeting dated June 22, 2017 of the Company is as follows:

Item	Shareholders' meeting resolution Distribution amount (NT$)	Original board of director's resolution Distribution amount (NT$)	Difference
Employee cash bonus	73,000,000	73,000,000	None
Remuneration of directors and supervisors	15,000,000	15,000,000	None

(9) Repurchase of the Company's shares:

April 30, 2018

No. of repurchase	the 6th	the 7th	the 8th
Purpose of repurchase	Before the amendment - shares transferred to employees After the amendment - for shares transfer (Note 1)	Shares transferred to employees	Before the amendment: maintain company credit and shareholders' rights and benefits After the amendment: For shares transfer(Note 3)
Repurchase period:	2015/12/25~2016/2/24	2016/12/21~2017/2/20	2017/11/2~2018/12/20
Price range of repurchase	NT$ 60 ~ NT$ 130	NT$ 65 ~ NT$ 115	NT$ 90 ~ NT$ 160
Repurchased shares Type and quantity	20,000,000 shares	1,627,000 shares	5,000,000 shares
Amount of repurchased shares	NT$1,440,773,691	NT$ 145,039,802	NT$ 584,750,001
Amount of shares already cancelled and transferred	15,907,343 shares	1,627,000 shares(Note 2)	0 share
Accumulated shares of the Company held	4,092,657 shares	4,092,657 shares	9,092,657 shares
Shares cumulatively held to total shares authorized to issue (%)	1.29%	1.29%	2.86%

Note 1: The purpose of the 6th shares repurchased was approved by the board of directors on February 16, 2016 for conversion of equity.

Note 2: For the Company's shares repurchased for the 7th time, the board of directors resolved on February 21, 2017 that a total of 1,627,000 shares should be transferred to employees at NT$89.15 per share, and the date of transfer to employee: December 28, 2017.

Note 3: The purpose of the 8th shares repurchased was approved by the board of directors on December 12, 2017 for conversion of equity.

II. Status of corporate bond

Status of corporate bond

April 30, 2018

Type of corporate bond		Fourth unsecured convertible corporate bonds
Issuance date		2016/4/12
Par value		NT$100,000
Place of issuance and exchange		GreTai Securities Market of R.O.C.
Issuing price		The bond is issued at full face value.
Total		NT$1,600,000 thousand
Interest rate		Coupon rate: 0%
Period		2 years and 8 months, Expiry date: 2018/12/12
Guarantee institution		None
Trustee		Yuanta Bank
Underwriting institution		Yuanta Securities
Certified Attorneys		Far East Law Offices Ya-Wen Chiu, Attorney-at-Law
CPA		PwC Taiwan A-Shen Liao, CPA
Repay method		Unless the bond holder converts the same into the Company's common stock in accordance with Article 10 of the regulations, or repurchases the same from the securities firm and cancels the same, the Company will repay the corporate bond held by the bond holder in cash in full at face value plus interest (the interest upon expiration shall be 0.5% of the book value and 1.3389% of the yearly income rate) upon expiration.
Principle not yet repaid		NT$ 440,100 thousand dollars
Redemption or early repayment clause		None
Restrictive clauses		None
Name of credit rating organization, rating date, bond rating results		None
Other rights	Amount of converted common shares	NT$1,159,900 thousand
	Issuance and conversion (traded or subscribed) regulations	See MOPS-various exclusive sections-bond section
Possible dilution of equity and impact on equity of existing shareholders		2%； The dilution effect is limited and, therefore, no material impact would be rendered against the equity of existing shareholders.
Name of commissioned custodial institution for objects exchanged		Not applicable

Information about the convertible bonds

Type of corporate bond		Fourth unsecured domestic convertible corporate bonds		
Item / Year		2016	2017	Up to the date of April 30, 2018
Market value of convertible corporate bond	Highest	124.95	203.00	173.00
	Lowest	100.00	110.00	153.00
	Average	111.74	147.34	158.57
Conversion price (NT$)		Adjusted as 75.5 as of 2016/9/14 Adjusted as 69.2 as of 2017/8/9		
Issuance (processing) date and conversion price at time of issuance		Issuance date: 2016/04/12 Conversion price at time of issuance: 83.7		
Method of fulfilling conversion duty		Deliver issued shares		

III. Status of preferred shares

None

IV. Status of GDR/ADR

None

V. Status of employee stock option certificate and new restricted employee shares

(1) Unexpired employee stock option certificates issued by the Company in existence and the effect of such certificates upon shareholders' equity

April 30, 2018

Type of employee stock option certificate	First (session) employee stock option certificate in 2009
Effective date of declaration	March 17, 2010
Issuance (processing) date	March 18, 2010
Total number of units for issuance	3,000 units
Ratio of subscribable shares to total issued shares Ratio of total number of issued shares	2.19 %
Subscription period	10 years
Exercise method	Issuance of new shares
Period and ratio in which subscription is restricted	Upon expiration of two years after the issuance, 50% Upon expiration of three years after the issuance, 75% Upon expiration of four years after the issuance, 100%
Number of shares that have been obtained through exercise of subscription rights	2,147,750 shares
NT dollar amount of the shares subscribed	NT$ 79,519,065 dollars
Number of shares that have not been subscribed	727,250 shares
Subscription price per share of the unsubscribed shares	NTS 24.4
Ratio of the number of unsubscribed shares to the number of issued (%)	0.24 %
Effect on shareholders' equity	The Company's employee stock option certificates will be executed in four years upon expiration of two years after issuance of the same. The original shareholders' equity will be diluted year by year. By so doing, the employees may be encouraged to serve in the Company permanently and the Company may promote their loyalty to the Company to create the interest for the Company and shareholders altogether to benefit the shareholders' equity.

(2)Names and subscription status of managers who have obtained employee stock option certificates and of employees who rank among the top ten in terms of the number of shares to which they have subscription rights through employee stock option certificate acquired, cumulative to the date of publication of the annual report.

First employee stock option certificate in 2009

April 30, 2018

Job title		Name	Number of acquired shares which have been subscribed (thousand shares)	Ratio of the number of acquired shares which have been subscribed to the number of issued (%) (Note 2)	Subscribed				Not subscribed			
					Number of shares which have been subscribed (thousand shares)	Subscription price (NT$ thousand dollars)	Subscription amount	Ratio of the number of shares which have been subscribed to the number of issued (%) (Note 2)	Number of shares which have been subscribed (thousand shares)	Subscription price	Subscription amount (NT$ thousand dollars)	Ratio of the number of shares which have been subscribed to the number of issued (%) (Note 2)
Manager	President	Ming-Chih Cheng	730	0.23%	730	29.90 31.30 35.50 37.98	26,298	0.23%	0	0	0	0%
	Foreman of Kunshan Plant	Yu-Tai Cheng										
	Director of Sourcing Division	Chao-Rong Gong										
	Foreman of Kunshan Plant	Ruei-Chun Ma										
	Director of Administration Division	Zhi Tang Lan										
Employee	Executive Vice President	Jeng Xi Shih (Note 1)	738	0.23%	545	24.40 26.60 31.30 35.50 37.98 40.41	19,801	0.17%	48	24.4	1,171	0.02%
	Director	Song-Yu Tseng (Note 1)										
	Director	Cheng-Chia Kuo (Note 1)										
	Vice Director	Chun-Chi Lien										
	Vice Director	Wen-Liang Chang (Note 1)										
	Vice Director	Fong-Hao Yang (Note 1)										
	Manager	Meng-Hsi Wu										
	Manager	Chi-Chang Peng										
	Section Chief	Yi-Hsun Lin										
	Senior specialist	Chien-Ying Yang (Note 1)										

Note 1: Resigned

Note 2: The total number of issued shares refers to the number of shares registered in the change registration information at the Ministry of Economic Affairs.

(3)Restriction on employee share subscription warrant: None.

VI. Mergers and acquisitions, or as assignee of new shares issued by another Company

None

VII. Status of execution of capital utilization plan

(1) Issuance of domestic 4th unsecured corporate bond effective in March 2016

1. Content of plan:

(1) Date and No. of the competent authority's approval letter:
Ching-Kuan-Cheng-Fa-Tze No. 1050008070 dated March 25, 2016.

(2) Total fund required by the plan: NT$1,600,000 thousand

(3) Source of fund: Issuance of 16,000 domestic 4th unsecured corporate bonds, at the face value of NT$100 thousand per piece, with the duration of two years and eight months and at coupon rate 0%. The total issue amount was NT$1,600,000 thousand and the bond was issued at full face value.

(4) Scope of plan, progress of utilization and projected effect

Unit: NT$ in thousand

Scope of plan	Scheduled completion date	Total amount of funds required	Projected utilization progress			
			2016			2017
			Q2	Q3	Q4	Q1
Expansion of factory equipment	Q1 of 2017	1,600,000	118,000	412,000	641,000	429,000
Total		1,600,000	118,000	412,000	641,000	429,000

The funds required by the plan totaled NT$1,600,000 thousand, primarily in order to cover the capital expenditure for optimization of the high-rank production technology. The expected effects upon mass production in Q3 of 2017 in each of following years are summarized as following:

Unit: Square meter/NT$ thousand dollars

Year	Item	Output	Sale volume	Operating revenues	Operating gross profit	Operating profit
2017	High-rank flexible circuit products	24,300	24,300	925,542	176,778	158,268
2018	High-rank flexible circuit products	48,600	48,600	1,705,958	332,662	298,543
2019	High-rank flexible circuit products	51,030	51,030	1,521,397	293,630	263,202
2020	High-rank flexible circuit products	53,582	53,582	1,356,803	260,506	233,369
Total		177,512	177,512	5,509,700	1,063,576	953,382

Duration of estimated effect: 3.9 years

2. Status of plan execution:

The Company's issuance of domestic 4th unsecured corporate bond effective in March 2016 is scheduled to be executed in Q1 of 2017. The status is stated as following

Unit: NT$ in thousand

Project item	Status		Accumulated until Q1 of 2018	Reason why the plan is ahead of or fall behind the schedule, and improvement plan
Expansion of factory premises	Expenditure	Scheduled	1,600,000	Due to the payment terms of the actual outsourced contract is advantageous than the terms originally planned, the payment progress is postponed accordingly.
		Actual	1,398,157	
	Progress (%)	Scheduled	100%	
		Actual	87.38%	

3. Analysis on effect:

Unit: Square meter/NT$ thousand dollars

Year	Item		Production amount	Sales amount	Sales value	Operating gross profit	Operating net profit
2017	High-rank flexible circuit products	Expected	24,300	24,300	925,542	176,778	158,267
		Actual	104,263	104,263	3,899,150	610,790	493,694
		Achievement rate %	429.07%	429.07%	421.28%	345.51%	311.94%

The fund rising this time was used for the expansion of facility and purchase of machines and equipment in order to increase the production capacity of the high-rank flexible circuit products. Despite that payment process was delayed due to the negotiation seeking more advantageous payment terms, the plant construction progress (including the machine and equipment installation) was completed according to the predefined schedule, and mass production was carried out as expected in the third quarter of 2017. As shown in the table above, in view of the production amount, sales amount and profit in general, the achievement rate is above 311.94%, indicating that the mass production performance at that stage is excellent.

E. Overview of operations

I. Business contest

(1) Scope of business

1. Primary content of business

The Company and its subsidiaries are primarily engaged in design, development, manufacturing and sale of Flexible Print Circuit (FPC), and assembly, sampling and modules thereof.

2.Current products and business weight portion thereof:

By product	Net operating revenues (NT$ thousand dollars)	Weight (%)
Flexible printed circuit	25,846,403	100.00

3. New products (services) under development:

(1) Development of high frequency high speed flexible printed circuit.

(2) Development of ultra-thin Flexible printed circuit

(3) Development of multi-layer soft and hard composite panels

(2) Overview of industry

1. Current industrial condition and development

The flexible printed circuit is identified as a detailed industry of Printed Circuit Board (PCB), primarily serving to be the platform for installation, connection and linking of signals and current of various electronic parts, an indispensable basic spare parts for all electronic products. Compared with the rigid printed circuit, the flexible printed circuit has the advantages including continuous automatic production, increased circuit density, light, small, dynamic flexing, more integrated design, 3D circuit, omission of connector, and welding of electric wire to enable the products to meet the need for light, thin, short and small.

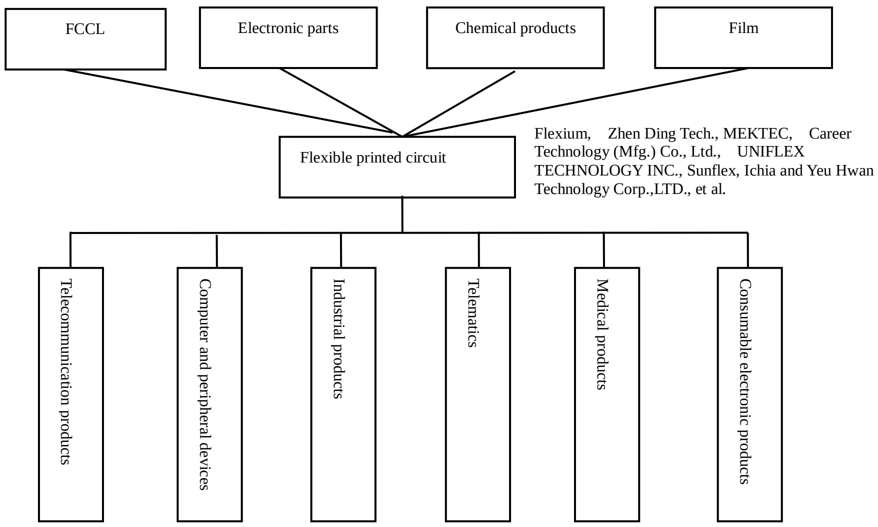
In the recent years, the down-stream end products have more emphasized such characters as light, thin and small and diversified functions, including smart phones, pads and wearable devices, which drove the modularity of multiple component functions, e.g. LCD module, camera lens module, touch panel module and LED back-light source module. The internal circuit design is also complicate relatively. The various modular functions need the flexible printed circuit as their conductor. Therefore, various flexible printed circuits have been developed for various modules.

The quality of flexible printed circuit varies depending on the characteristics of up-stream suppliers' materials, production process and level of technology. For example, LED back-light source flexible printed circuit requires the level of technology emphasizing heat-resistance, while the mobile phone lens module flexible printed circuit emphasizes high twistiness. Therefore, the flexible printed circuit industry pursues the completeness and compatibility of the up-stream, mid-stream and down-stream dealers.

2. Relations with industries upstream, mid-stream, and downstream

Relations among the upstream, mid-stream and downstream of the flexible boar industry is shown in the following:

Chart showing relations with the flexible board industries upstream, mid-stream and downstream in Taiwan



3.Development trends of products

For the time being, many new products require FPC badly. For example, in addition to the touch panel, a pad is also equipped with FPC on the related I/O device. Further, the other products, such as smart phone, MC PCB, e-book and wearable devices, also require FPC increasingly.

Considering that the end product will be developed oriented toward light, thin and short characteristics, and the flexible characteristics of FPC makes 3D layout in the limited mechanism possible, the space utilization becomes more and more important under the circumstance that the mechanism of a product is smaller and smaller. Under the circumstance that the internal space of an electronic product is limited increasingly, it is very important to make the circuit and spare parts inside the product become smaller.

The future growth will depend on (1) HDI board and (2) IC Substrate. The market scale thereof will grow drastically more than the entire market. FPC will be primarily applied to such high-tech electronic products as notebook, camera, smart phone, pad and wearable device, or the joint to be equipped with dynamic and 3D flexible circuits .

4.Competition

The local procurement of raw materials of FPC, such as FCCL and PI, is critical to the industrial development. At the very beginning of FPC development in Taiwan, the raw materials were primarily supplied by Japan, and the profit to be sought by the relevant manufacturer was low. In the recent years, the manufacturers engaged in processing FCCL, such as Taiflex and Dupont, developed considerable production capacity in Taiwan and Mainland China. Therefore, there is no concern about supply of raw materials, and the price becomes more competitive.

Mobile devices and new devices and technology evolve rapidly and thereby make the competition become more and more intensive. The Company outperforms the others because it not only engages in production and sale of the FPC for computers, LCD, consumable electronic products and e-equipment, and the FPC similar to navigation screen for car, but also participates in the discussion with customers about design to the stage of product design, in order to control the cost effectively. Meanwhile, with the speedy and rapid service, the Company provides customers with the one-stop service ranging from production to shooting of trouble.

(3)Overview of technology and R&D

1.R&D expenses invested in the most recent year and until the date of publication of the annual report

Unit: NT$ in thousand

Year	2017
R&D expenses	1,005,855
Operating revenues	25,846,403
To operating revenue (%)	3.89

2.Technology or product developed successfully in the most recent year and until the date of publication of the annual report

By product	Technology
Substrate-like flexible printed circuit boards, high-frequency and high-speed flexible printed circuit boards, flexible printed circuit boards for onboard system, touch control type of flexible printed circuit boards, flexible printed circuit boards for wearable device applications	High-frequency insertion loss measurement technology development, substrate-like RTR manufacturing technology development, surface mount technology, automatic inspection technology, IC function electrical testing technology, laser BMV application technology, fine-line flexible printed circuit board

(4) Long-term and short-term business development plan

1. Long-term plan: dedication in the improvement of product technologies of the high-frequency and high-speed, could system applications, e.g. Smart TV, Smart Car and Smart PC, and material research and development.
2. Short-term plan: Continue to develop the existing primary customers thoroughly, integrate technical service team, focus on non-main stream product lines of consumer electronics, such as onboard and medical products as well as the development of other products.

II. Overview of market and production and marketing

(1) Market analysis

1. Territories where the Company’s main products are sold

Unit: NT$ in thousand

Territory \ Year		2016		2016	
		Amount	%	Amount	%
Domestic marketing		1,041,557	5.45	1,686,990	6.53
Export	Asian region	6,649,671	34.82	9,264,305	35.84
	Territories in Europe and the U.S.A.	11,405,055	59.72	14,895,108	57.63
	Sub-total	18,054,726	94.55	24,159,413	93.47
Total		19,096,283	100.00	25,846,403	100.00

2.Market share and future supply & demand and growth of the market

Presently, the main applications of the flexible circuit boards are smartphone, NB, tablet, panel, digital camera, onboard electronics, smart wearable device related products. Consequently, the supply status of the industry and future growth of the Company and its affiliates are closely related to the market trends of information and consumer electronic products.

In recent years, as the mobile device product diversity increases, including smartphones, tablet computers, various types of wearable devices..., they are all driving the global demands for flexible products, and even in the automobile electronic field, flexible circuit board products can also be found. Therefore, flexible circuit board is one of the type of products with potential growth in the global circuit boards. According to the statistics of Taiwan Printed Circuit Association (TCPA), in 2016, the flexible circuit board industry in Taiwan accounts for the market share of 38%, which is not only the highest in the world, the production value even reaches NT$ 115,44 billion dollars. Industrial Economics and Knowledge Center (IEK) also estimates that with the economic growth, the global flexible circuit board market will continue to grow in 2018, and the total production value is expected to reach US$ 12.5 billion dollars. In addition, according to the prediction made by IDTechEx, by 2020, the market scale of flexible circuit boards can be increased to US$ 26.2 billion dollars. In terms of the supply, as the global handheld 3C electronic product market continues to expand, the market also expects the demands for flexible circuit boards to increase. Nevertheless, since the market is being emphasized greatly, a lot of small manufacturers start to enter into the market, which can lead to price competition and severe reduction, and the result of extreme chaos of market order can lead to decrease of profit for flexible circuit board industry, or even loss can also occur. With the supply over demand of the flexible circuit boards in the market and the impact of the financial crisis, some small manufacturers have withdrawn from the market. In addition, with manufacturers not able to withstand the loss exit the market continuously, the market order has gradually recovered. Therefore, with the limitations on the growth of the amount of supply, for the amount of demand, the existing product demand is maintained along with the increasing popularity of market acceptance for emerging application products of electric vehicles, industrial IoT, smart voice assistant devices, it is expected to drive the demand for flexible circuit boards to continue to grow.

3.Competitive niche

(1)The excellent product quality recognized by international leading manufacturers

In recent years, the Company and its subsidiaries have adopted the most advanced roll to roll machine. Therefore, the real-time management and effective control has been delivered to the process consisting of product circuit design, module design technology and production. In addition to the international quality certification, the strict quality statistics control system makes the products of the Company and its subsidiaries recognized by the international leading manufacturers.

(2)Efficient management team

The management teams of the Company and its subsidiaries have earned plentiful experience in marketing, production and management in the FPC industry, and become the professional and top team in the FPC circle.

(3)Ability to upgrade advanced technology

The Company and its subsidiaries apply the roll to roll production process to upgrade the automation of product management and scientific technical management. Therefore, the quality of FPC produced by the Company and its subsidiaries is trustworthy. Further, in addition to establishing the subsidiary, FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION and FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION at the factory premises in Mainland China, the Company also invests in R&D of new products, expansion of the plant and purchase of new equipment to replace the old one with the new one.

4.Positive and negative factors for future development, and the Company's response to such factors

(1) Positive factors:

A. Market threshold is blocked:

Upon reorganization from 2004 to 2008, the FPC market price tended to be stable. In China, due to the environmental protection requirements and industrial upgrading plan, the FPC has been excluded from the incentive items following rigid printed circuit since 2008. This would help suppress the interruption caused by the new FPC production capacity to the market. Notwithstanding, as the Company and its subsidiaries have layout their business in territories of Mainland China for long time, no effect would be imposed on the Company and its subsidiaries therefor.

B. The FPC application keeps emerging on an ongoing basis, and there is no concern about the growth:

FPC is primarily applied to the binding of main panel and external components. Following the increasing diversification of smart phone functions, the additional external components are increasing relatively, e.g. the connection between screen and main panel, camera module and buttons etc. Generally speaking, the quantity of FPC applied to a smart phone is several multiple of that applied to the general mobile phone.

In the future, electronic products will become thinner and lighter with more diversified functions, indicating that the trend of portable electronic products. The FPC industry is expected to stimulate the growth of demand for FPC by following the trend.

(2)Negative factors:

A. High population density industry:

The production process of FPC per se is complicate, and the back-end production process requires massive labors. Nevertheless, due to the shortage of domestic labors and the increasing wage in Mainland China year by year, the product cost is increased and the competitive strength of product is weakened accordingly.

(3)Response to the factors

A. Purchase automatic and semi-automatic test equipment, improve production process and quality, and increase employees’ benefit to retain high-quality talents, and reduce the HR demand and operating cost to upgrade the Company’s competitive strength.

B. Transfer production of some middle-ranked and low-ranked products to the factory premises in Mainland China through the international breakdown, and introduce foreign employees adequately and perform professional training on them permanently to solve the problem about shortage of domestic labors and talents.

(2) Important purpose and production process of main products

1. Important purpose of main products

Main products	Important purpose or function
Flexible print Circuit board	Computer: Notebooks, tablet computers, printers and displays etc. Communication: Mobile phones and fax machines etc. Others: Stereo, TV, video recorder, video camera system, digital camera, electronic products for car, industrial instrument, and medical instrument etc.

2. Production process of main products

(3) Primary raw material supply status

The Company maintains long-term partnership relationship with suppliers of main raw materials to make the source of supply of main raw materials free from concern and make the cost most competitive.

(4)A list of any suppliers and clients accounting for 10%or more of the Company's total procurement (sales) amount in either of the most two recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each

1.Information about main suppliers for the most recent two years

Unit: NT$ thousand; %

Item	2016				2017			
	Name	Amount	To the annual net purchase (%)	Relationship with the issuer	Name	Amount	To the annual net purchase (%)	Relationship with the issuer
1	Supplier A	3,270,648	28.85	None	Supplier A	3,793,205	19.73	None
2	Others	8,065,635	71.15	—	Others	15,436,914	80.27	—
	Net purchase	11,336,283	100.00		Net purchase	19,230,119	100.00	

Over the last two years, the number of suppliers accounted for more than 10% of the material inbound of the Company is only 1 supplier, and the number of suppliers for material inbounds of the Company less than 10% accounts for 80%, which indicates that the main suppliers of the Company are in excellent cooperation, the material supply sources are stable, and there are no concentration of material inbound.

2. Information about main customers for the most recent two years

Unit: NT$ thousand; %

Item	2016				2017			
	Name	Amount	To the annual net sale (%)	Relationship with the issuer	Name	Amount	To the annual net sale (%)	Relationship with the issuer
1	Customer A	11,305,605	59.20	None	Customer A	14,718,449	56.95	None
2	Others	7,790,678	40.80	—	Others	11,127,955	43.05	—
	Net sale	19,096,283	100.00		Net sale	25,846,404	100.00	

Over the last two years, the number of customers accounted for more than 10% of the product sales of the Company is only 1 customer, and the number of suppliers for product sales of the Company less than 10% accounts for 40%, which indicates that the Company and the main branded customers are in stable cooperation relationship.

(5)Production value in recent two years

Unit: M²; NT$ thousand dollars

Year / Production value / Main product	2016			2017		
	Production capacity	Output	Output value	Production capacity	Output	Output value
Flexible printed circuit	1,208,733	988,744	14,410,636	1,241,172	992,938	20,574,669
Total	1,208,733	988,744	14,410,636	1,241,172	992,938	20,574,669

(6)Sales value in recent two years

Unit: thousand pieces/NT$ thousand dollars

Year / Sale value / Main product	2016				2017			
	Domestic marketing		Export		Domestic marketing		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Flexible printed circuit	26,650	1,041,557	597,940	18,054,726	57,974	1,686,990	717,573	24,159,413
Total	26,650	1,041,557	597,940	18,054,726	57,974	1,686,990	717,573	24,159,413

III. Number of employees for the most recent two years and until the date of publication of annual report

Unit: person; %

Year		2016	2017	2018 up to the date of March 31
Number of employees	Direct labor	4,616	5170	4132
	Indirect labor	1,372	1382	1433
	Total	5,988	6552	5565
Average age		29	31	31
Average service seniority		2.36	2.98	2.98
Ratio of educational background	Ph.D	0.08%	0.08%	0.08%
	Master	2.83%	2.22%	2.37%
	University (college)	29.95%	30.80%	32.50%
	Senior high school	66.89%	66.90%	65.05%
	Below senior high school	0.00%	0.00%	0.00%

IV. Environmental protection expenditure information

Total losses (including damage awards) and fines for environmental pollution for the most recent two years, and during the current fiscal year up to the date of publication of the annual report, future countermeasures (including corrective measures) and possible expenditure:

Item	2017	2018 up to the date of April 30
Loss suffered for environmental pollution	None	None
Future response	None	None
Possible expenditure	None	None

V. Labor relationship

(1)List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

1.Employee benefit plans

(1)The Company maintains the labor insurance and health insurance for all of its employees and also contributes pension fund on a monthly basis, term group insurance of NT$3 million to NT$12 million for its employees, and additional travel insurance of NT$5 million if the employees take a business trip.

(2)Health examination each year.

(3)Orientation training, on-the-job training, and periodic or irregular training inside and outside the factory;

(4)Issuance of employee stock and dividend as well as quarterly performance bonus, year-end bonus according to the company business operation performance and employee individual performance.

(5)Worker Welfare Commission will organize the employees' tour and family day periodically each year, and subsidize marriage, funeral and celebration, and also emergent relief, and also grant the coupon (gift) for three major festivals and birthday coupon.

2.Continuing education and training

To increase the overall competitiveness and continuous development of talents, Flexium

Interconnect, Inc. has invested a lot of resources on employee trainings and development, such that through On-job training (OJT), Off-job training and Self-development of individuals, the work abilities and diverse professional skills can be improved. With our effort, in 2014, the Company received the Talent Quality-management System (hereinafter referred to as "TTQS") "Enterprise Mechanical Board Silver Award" from the Ministry of Labor, and in 2016, the Company further improved and received the Golden Award. It demonstrates that our efforts in the talent development and training performance are greatly recognized by the nation.

Flexium Interconnect, Inc. upholds the vision of "becoming the role model for global FPC industry training" for talent training and implement the training policy of "improvement promotion culture" such that through three main core occupational skill training and planning courses, the Company continues to improve the abilities of employees and to exploit innovation energy. Various key cultivation courses are created for employees at all levels. Through the method of "learning during practice, practice during learning," the professional and management abilities of employees can be improved such that the professional skills of employees can be developed while creating the maximum benefits for the Company.

In 2017, the total number of hours of employee training is 314,585 hours, and on average, each employee training hour is 66 hours. The content of the training includes new employee training, general knowledge courses, project management and various professional skill trainings. The annual training expense is of the total of approximately NT$ 38.05 million dollars.

3.Retirement system and implementation thereof

The Company has established the defined the appropriation for retirement in accordance with the "Labor Pension Act," which is applicable to employees of the nationality of R.O.C. The Company will contribute the pension fund equivalent to no less than 6% of the salary to the employee's personal pension account maintained at the Bureau of Labor Insurance, according to the labor pension system defined under the "Labor Pension Act" chosen by the employees. Employees' pension would be paid on a monthly basis or in a lump sum according to the balance in the employees' personal pension accounts and accumulated income generated therefrom.

In addition, according to the Labor Standards Act (old labor retirement in old system), 2% of the employee tax payable salary is appropriated to the labor retirement reserve at the old system retirement reserve account at the Trust Department of Bank of Taiwan.

4.Status of labor agreement and employee interests and rights protection measures:

The Company is used to valuing humane management and adhering to the philosophy about "labor integration and intergrowth and co-prosperity". Therefore, the labor-management communication is handled in multiple manners to enable the labor and management to know each other better and develop toward the same goal.

(1)Complaint channel: The Company and its subsidiaries all have established the complaining channels immediately subordinated to the President's Office, so that the employees may report any illegal activity or event impairing employees' interest and right found by them in work to the supreme management via the confidential channels to rectify and maintain the employees' interest and right in a timely manner.

(2)Staff meeting: The staff meeting shall be held on a bi-weekly basis, in order to discuss and solve multi-departmental problems and to propagate policies to make the management more reasonable and help operations more successful.

(3)Monthly labor-management meeting: The meeting shall be held once per month in order to understand all employees' opinion and solve problems to gather employees' cohesion.

(4)Worker Welfare Commission meeting: The labor-management members may conduct special discussion about the benefit plans at the Worker Welfare Commission meeting, including the comments on employees' work and life, in order to enable the labor and management to communicate with each other as the reference for the management.

(2)Loss suffered due to labor disputes of the latest fiscal year and up to the printing date of annual report:

Regarding the damage indemnification case claimed by Ms. Ya-Jung Lai (former employee of the Company, plaintiff of this case) [litigation subject matter amount of NT$ (same below) 9,170,480 dollars], the results of the first and second instance court rulings both ruled that claim of the Plaintiff was without merit. In addition, on December 13, 2017, the Supreme Court also dismissed the claim made by the Appellant (i.e. the Plaintiff) in 2017 Tai-Shang-Tzi No. 3006 Ruling, and the ruling of the case is final after the three instances of the courts.

VI. Important contracts

Up to the date of April 30, 2018

Nature of contract	Contractual parties	Duration	Main contents	Restrictive clauses
Real estate lease contract	Yuan An Enterprise Co., Ltd.	2018/3/15~2023/3/14	Land and plant lease	None
Real estate lease contract	Chia-Huei Chiu	2016/3/15~2019/3/14	Plant lease	None
Real estate lease contract	Wen-Chang Lu	2017/5/1~2020/4/30	Lease of Office at Pingzhen	None
Engineering contract	Lee Ming Construction Co., Ltd.	2018/2/16 Construction period: 360 calendar days	Earthwork engineering at the factory premises	None
Real estate lease contract	Forward Electronics	2018/2/16	Land lease	None

Note: 360 calendar days (counted from the date when the Public Works Department approves the commencement until the date when the application for occupation permit is received)

F. Financial overview

I. Condensed balance sheet and income statement for the most recent five years

(1) Information of Condensed balance sheets and statements of comprehensive income under International Financial Reporting Standards

1. Consolidated condensed balance sheet

Unit: NT$ in thousand

Item \ Year		Financial information for the most recent five years (Note 1)				
		2013	2014	2015	2016	2017
Current assets		13,654,699	13,929,204	15,795,569	17,393,357	23,969,161
Real estate, plants and equipment		5,026,625	5,555,217	5,383,606	5,017,555	6,196,860
Intangible assets		20,397	49,678	38,477	39,205	37,325
Other assets		341,464	676,040	707,953	1,066,448	522,887
Total amount of assets		19,043,185	20,210,139	21,925,605	23,516,565	30,726,233
Current liabilities	Before distribution	7,909,867	8,888,735	5,565,726	5,902,466	12,214,136
	After distribution	8,414,621	9,431,743	6,706,461	7,199,298	Note 2
Non-current liabilities		3,024,460	2,314,553	1,159,904	2,084,197	651,689
Total amount of liabilities	Before distribution	10,934,327	11,203,288	6,725,630	7,986,663	12,865,825
	After distribution	11,439,081	11,746,296	7,866,365	9,283,495	Note 2
Equities belong to the owner of the parent Company		8,108,858	9,006,851	15,199,975	15,529,902	17,860,408
Capital		2,013,015	2,225,691	2,779,829	2,995,325	3,179,912
Capital reserve		1,338,333	1,199,800	4,709,307	4,504,836	3,990,243
Retained earnings	Before distribution	4,712,660	5,692,748	7,905,876	9,543,460	11,874,509
	After distribution	4,207,906	5,149,740	6,765,141	8,822,998	Note 2
Other equities		44,850	216,800	181,316	(73,422)	(212,254)
Treasury stock		0	(328,188)	(376,353)	(1,440,297)	(972,002)
Non-controlling equities		0	0	0	0	0
Total amount of equities	Before distribution	8,108,858	9,006,851	15,199,975	15,529,902	17,860,408
	After distribution	7,604,104	8,463,843	14,059,240	14,233,070	Note 2

Note 1: All of the financial information from 2013 to 2017 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the printing date of annual report.

Note 2: Up to the printing date of the annual report, the distribution proposal is yet to be resolved by the board of directors.

2. Individual condensed balance sheet

Unit: NT$ in thousand

Item		Financial information for the most recent five years (Note 1)				
		2013	2014	2015	2016	2016
Current assets		12,010,298	15,255,835	15,263,497	16,449,868	20,005,453
Real estate, plants and equipment		955,142	920,139	1,050,228	1,234,948	2,643,810
Intangible assets		14,013	46,805	36,466	37,956	31,127
Other assets		3,285,376	3,738,500	3,855,015	4,761,789	5,823,003
Total amount of assets		16,264,829	19,961,279	20,205,206	22,484,561	28,503,393
Current liabilities	Before distribution	5,135,962	8,649,624	3,849,126	4,873,282	10,015,293
	After distribution	5,640,716	9,192,632	4,989,861	6,170,114	Note 2
Non-current liabilities		3,020,009	2,304,804	1,156,105	2,081,377	627,692
Total amount of liabilities	Before distribution	8,155,971	10,954,428	5,005,231	6,954,659	10,642,985
	After distribution	8,660,725	11,497,436	6,145,966	8,251,491	Note 2
Equities belong to the owner of the parent Company		8,108,858	9,006,851	15,199,975	15,529,902	17,860,408
Capital		2,013,015	2,225,691	2,779,829	2,995,325	3,179,912
Capital reserve		1,338,333	1,199,800	4,709,307	4,504,836	3,990,243
Retained earnings	Before distribution	4,712,660	5,692,748	7,905,876	9,543,460	11,874,509
	After distribution	4,207,906	5,149,740	6,765,141	8,822,998	Note 2
Other equities		44,850	216,800	181,316	(73,422)	(212,254)
Treasury stock		0	(328,188)	(376,353)	(1,440,297)	(972,002)
Non-controlling equities		0	0	0	0	0
Total amount of equities	Before distribution	8,108,858	9,006,851	15,199,975	15,529,902	17,860,408
	After distribution	7,604,104	8,463,843	14,059,240	Note 2	Note 2

Note 1: All of the financial information from 2013 to 2017 have been audited and certified by CPA.

Note 2: Up to the printing date of the annual report, the distribution proposal is yet to be resolved by the board of directors.

3. Consolidated condensed statements of comprehensive income

Unit: NT$ in thousand

Item \ Year	Financial information for the most recent five years (Note 1)				
	2013	2014	2015	2016	2017
Operating revenues	13,605,211	13,071,783	18,100,327	19,096,283	25,846,403
Operating gross profit	3,227,529	2,892,982	4,805,949	4,539,382	5,661,828
Operating income	2,048,936	1,783,966	3,403,641	3,052,351	3,960,866
Non-operating revenues and expenses	463,499	274,791	259,495	(92,601)	(84,080)
Net profit before tax	2,512,435	2,058,757	3,663,136	2,959,750	3,876,786
Net profit of the current term from continuing operations	1,927,798	1,486,886	2,758,779	2,275,180	3,056,836
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the current term	1,927,798	1,486,886	2,758,779	2,275,180	3,056,836
Other comprehensive income (net amount after tax) of the current term	120,582	169,906	(38,127)	(258,592)	(144,157)
Total amount of comprehensive income of the current term	2,048,380	1,656,792	2,720,652	2,016,588	2,912,679
Net profit belonging to the owner of the parent Company	1,927,798	1,486,886	2,758,779	2,275,180	3,056,836
Net profit belonging to the non-controlling equities	0	0	0	0	0
Total amount of comprehensive income belonging to the owner of the parent Company	2,048,380	1,656,792	2,720,652	2,016,588	2,912,679
Total amount of comprehensive income belonging to the non-controlling equities	0	0	0	0	0
Earnings per share	8.76	6.40	10.32	8.42	10.07

Note 1: All of the financial information from 2013 to 2017 have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the printing date of annual report.

4.Individual condensed statements of comprehensive income

Unit: NT$ in thousand

Item \ Year	Financial information for the most recent five years (Note 1)				
	2013	2014	2015	2016	2017
Operating revenues	13,658,896	12,747,020	17,780,719	18,186,196	25,425,049
Operating gross profit	1,949,496	1,713,154	3,426,254	2,942,561	3,982,755
Operating income	1,377,063	1,208,627	2,814,765	2,387,154	3,219,214
Non-operating revenues and expenses	1,037,777	700,909	669,979	453,168	652,478
Net profit before tax	2,414,840	1,909,536	3,484,744	2,840,322	3,871,692
Net profit of the current term from continuing operations	1,927,798	1,486,886	2,758,779	2,275,180	3,056,836
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the current term	1,927,798	1,486,886	2,758,779	2,275,180	3,056,836
Other comprehensive income (net amount after tax) of the current term	120,582	171,950	(38,127)	(258,592)	(144,157)
Total amount of comprehensive income of the current term	2,048,380	1,656,792	2,720,652	2,016,588	2,912,679
Net profit belonging to the owner of the parent Company	1,927,798	1,486,886	2,758,779	2,275,180	3,056,836
Net profit belonging to the non-controlling equities	0	0	0	0	0
Total amount of comprehensive income belonging to the owner of the parent Company	2,048,380	1,656,792	2,720,652	2,016,588	2,912,679
Total amount of comprehensive income belonging to the non-controlling equities	0	0	0	0	0
Earnings per share	8.76	6.40	10.32	8.42	10.07

Note 1: All of the financial information from 2013 to 2017 have been audited and certified by CPA.

(B)The names of CPAs and audit opinions for the past 5 fiscal years

Year	Accounting firm	CPA	Audit opinions	Remark
2013	PwC Taiwan	A-Shen Liao and Yi-Chang Lin	Unqualified opinion	
2014	PwC Taiwan	A-Shen Liao and Yi-Chang Lin	Unqualified opinion	
2015	PwC Taiwan	A-Shen Liao and Yi-Chang Lin	Unqualified opinion	
2016	PwC Taiwan	A-Shen Liao and Yi-Chang Lin	Unqualified opinion	
2017	PwC Taiwan	Ah-Shen Liao and Chien-Chi Wu	Unqualified opinion	

II. Financial analysis for the most recent 5 years

(1) Consolidated financial analysis

Analysis item	Year	Financial analysis for the most recent 5 years (Note 1)				
		2013	2014	2015	2016	2017
Financial structure (%)	Liabilities to assets	57.42	55.39	30.67	33.96	41.87
	Long-term capitals to property, plant and equipment	221.49	203.80	303.88	351.05	298.73
Solvency %	Current ratio	172.63	156.71	283.80	294.68	196.24
	Quick ratio	144.89	135.32	246.02	256.96	153.61
	Interest protection multiples	36.46	19.44	54.29	90.49	239.47
Operating ability	Receivable turnover (times)	2.89	2.64	4.85	5.14	4.15
	Average collection days	126.29	138.25	75.25	71.01	87.95
	Inventory turnover (times)	4.89	5.82	6.20	7.10	5.55
	Payable turnover (times)	4.06	3.58	4.74	4.67	3.73
	Average inventory turnover days	74.64	62.71	58.87	51.40	65.76
	Real estate, plants and equipment turnover (times)	3.31	2.35	3.36	3.67	4.61
	Total assets turnover (times)	0.84	0.65	0.83	0.84	0.95
Profitability	Return on assets (%)	12.23	8.05	13.37	10.13	11.32
	Return on equities (%)	26.68	17.35	22.79	14.81	18.31
	Net profit before tax to paid-in capital (%)	124.81	92.58	131.78	98.81	121.91
	Net profit ratio (%)	14.17	11.37	15.24	11.91	11.83
	Earnings per share (dollar)	8.76	6.71	10.83	8.42	10.07
Cash flow	Cash flow ratio	22.73	38.23	96.71	19.78	25.36
	Cash flow adequacy ratio (%)	58.22	65.86	117.24	114.40	106.02
	Cash reinvestment ratio (%)	11.51	22.77	25.48	0.13	8.02
Leverage	Operating leverage	1.26	1.44	1.27	1.33	1.69
	Financial leverage	1.04	1.07	1.02	1.01	1.00

Reasons of financial ratio changes reaching 20% in the most recent two years

1	Liabilities to assets	Due to the increase of account payable caused by increase of material inbound in 2017
2	Current ratio	Due to the increase of account payable caused by increase of material inbound in 2017
3	Quick ratio	Due to the increase of account payable caused by increase of material inbound in 2017
4	Interest protection multiples	This is due to the increase in profits in 2017.
5	Average collection days	This is due to the decrease in the account receivable turnover rate in 2017.
6	Inventory turnover (times)	This is due to the increase of the average inventory in 2017.
7	Payable turnover (times)	Due to the increase of account payable caused by increase of material inbound in 2017
8	Average inventory turnover days	This is due to the decrease in the inventory turnover rate in 2017.
9	Real estate, plants and equipment turnover (times)	This is due to the increase of the real estate, facility and equipment caused by the facility expansion in 2017.
10	Return on equities	This is due to the increase in profits in 2016.
11	Net profit after tax to paid-in capital	This is due to the increase in profits in 2016.
12	Cash flow ratio	This is due to the increase of net cash flow from operating activities caused by increase of profit in 2017.
13	Cash reinvestment ratio (%)	This is due to the increase of net cash flow from operating activities caused by increase of profit in 2017.
14	Operating leverage	This is due to the increase of product sales in 2017.

Note 1: All of the financial information in each fiscal year have been audited and certified by CPA; the financial information of the latest quarter has not been audited by CPA up to the printing date of annual report.

(2)Individual financial analysis

Analysis item		Financial analysis for the most recent 5 years (Note 1) 2013	2014	2015	2016	2017
Financial structure (%)	Liabilities to assets	50.14	54.88	24.77	30.93	37.34
	Long-term capitals to property, plant and equipment	1,165.15	1,229.34	1,557.38	1,426.07	699.3
Solvency %	Current ratio	233.85	176.38	396.54	337.55	199.75
	Quick ratio	216.38	168.79	377.65	319.48	181.72
	Interest protection multiples	40.46	20.08	59.22	86.88	249.25
Operating ability	Receivable turnover (times)	2.25	1.56	2.61	5.03	4.67
	Average collection days	162.22	233.97	139.84	72.56	78.15
	Inventory turnover (times)	8.25	8.69	16.18	18.86	15.85
	Payable turnover (times)	5.91	3.48	4.41	5.26	3.87
	Average inventory turnover days	44.24	42.00	22.55	19.35	23.05
	Real estate, plants and equipment turnover (times)	17.83	13.59	18.05	15.92	14.66
	Total assets turnover (times)	0.97	0.70	0.89	0.85	1.11
Profitability	Return on assets (%)	14.03	8.67	13.98	10.79	12.04
	Return on equities (%)	26.68	17.37	22.79	14.81	18.31
	Net profit before tax to paid-in capital (%)	119.96	85.80	125.36	94.83	121.75
	Net profit ratio (%)	14.11	11.66	15.52	12.51	10.75
	Earnings per share (dollar)	8.76	6.40	10.83	8.42	10.07
Cash flow	Cash flow ratio	Note 2	38.54	142.78	20.27	14.15
	Cash flow adequacy ratio (%)	38.15	106.68	220.57	146.73	134.17
	Cash reinvestment ratio (%)	Note 2	23.66	28.85	(0.84)	(0.85)
Leverage	Operating leverage	1.12	1.19	1.09	1.11	2.04
	Financial leverage	1.05	1.09	1.02	1.01	1.00

Reasons of financial ratio changes reaching 20% in the most recent two years

1 Liabilities to assets	This is due to the increase of account payable caused by increase of material inbound in 2017.
2 Long-term capitals to property, plant and equipment	This is due to the issuance of the domestic fourth conversion of corporate bonds such that it turns into short-term liability.
3 Current ratio	This is due to the increase of account payable caused by increase of material inbound in 2017.
4 Quick ratio	This is due to the increase of account payable caused by increase of material inbound in 2017.
5 Interest protection multiples	This is due to the increase in profits in 2016.
6 Payable turnover (times)	Due to the increase of account payable caused by increase of material inbound in 2017
7 Total assets turnover (times)	This is due to the increase in profits in 2016.
8 Return on equities (%)	This is due to the increase in profits in 2016.
9 Net profit before tax to paid-in capital (%)	This is due to the increase in profits in 2016.
10 Cash flow adequacy ratio	This is due to the increase of net cash flow from operating activities caused by increase of profit in 2017.
11 Operating leverage	This is due to the increase of product sales in 2017.

Note 1: The above financial information of each fiscal year has been audited and CPAs.
Note 2: Net cash flow from operating activities is of a negative value; therefore, its financial ratio is not calculated.

The formula of financial analysis is as follows:

1. Financial structure
   (1) Liabilities to assets= total amount of liabilities/total amount of assets.
   (2) Long-term funds to real estate, plants and equipment= (Total amount of equities+ non-current liabilities)/net amount of real estate, plants and equipment.
2. Solvency
   (1) Current ratio = current assets/current liabilities.
   (2) Quick ratio = (current assets- inventory- prepayment)/ current liabilities.
   (3) Interest protection multiples= income tax and net profit before interest expense/ interest expense of the current term.
3. Operating ability
   (1) Receivables (including trade receivables and notes receivables generated from operation) turnover= net sales/ balance of average receivables of each term (including trade receivables and notes receivables generated from operation).
   (2) Average collection days= 365/ receivables turnover.
   (3) Inventory turnover= sales cost/ average inventory amount.
   (4) Payables (including trade payables and notes payables generated from operation) turnover= sales cost/ balance of average payables of each term (including trade payables and notes payables generated from operation).
   (5) Average inventory turnover days= 365/ inventory turnover.

(6) Real estate, plants and equipment turnover= net sales/ average net amount of real estate, plants and equipment.

(7) Total assets turnover= net sales/ total amount of average assets.

4. Profit ability

(1) Return on assets= [income after tax＋interest expense × (1-tax rate)]/ total amount of average assets.

(2) Return on equities= income after tax/ total amount of average equities.

(3) Net profit ratio= income after tax/ net sales.

(4) Earnings per share= (income belonging to the owner of the parent Company - dividends of preferred shares)/ weighted average shares issued.

5. Cash flow

(1) Cash flow ratio= net cash flow from operations/ current liabilities.

(2) Net cash flow adequacy ratio= net cash flow from operations for the most recent 5 fiscal years/ (capital expenditure+ inventory increase amount+ cash dividends) for the most recent 5 fiscal years.

(3) Cash reinvestment ratio= (net cash flow amount from operations-cash dividends)/ (gross amount of real estate, plants and equipment+ long-term investments+ other non-current assets+ operating funds).

6. Leverage:

(1) Operating leverage= (net operating revenues - variable operating costs and expenses)/ operating profits.

(2) Financial leverage= operating profits / (operating profits - interest expenses).

III. Supervisors' audit report on financial statement for the most recent year

監察人審查報告書

茲准董事會造送本公司民國一0六年度財務報表暨合併財務報表，連同營業報告書，業經本監察人查核完峻，認為尚無不合。爰依照公司法第二一九條之規定，備具本報告書，敬請　鑒察。

此致

台郡科技股份有限公司

監察人：莊　勳　波

林　珮　如

中　華　民　國　一〇七　年　二　月　九　日

IV. Consolidated financial statement of the most recent year

Please refer to annual report.Enclosure 1

V. In the case of any insolvency of the Company and its affiliates, specify its effect on the Company’s financial position, for the most recent year and until the date of publication of the annual report

None

G. Review and analysis of the Company's financial position and financial performance, and a listing of risks

I. Financial status

Unit: NT$ in thousand

Item \ Year	2016	2017	Difference	
			Amount	%
Current assets	17,393,357	23,969,161	6,575,804	38%
Non-current assets	6,123,208	6,757,072	633,864	10%
Total amount of assets	23,516,565	30,726,233	7,209,668	31%
Current liabilities	5,902,466	12,214,136	6,311,670	107%
Non-current liabilities	2,084,197	651,689	(1,432,508)	(69%)
Total amount of liabilities	7,986,663	12,865,825	4,879,162	61%
Capital	2,995,325	3,179,912	184,587	6%
Capital reserve	4,504,836	3,990,243	(514,593)	(11%)
Retained earnings	9,543,460	11,874,509	2,331,049	24%
Other equities	(73,422)	(212,254)	(138,832)	189%
Total amount of shareholder equities	15,529,902	17,860,408	2,330,506	15%

1. Main reasons for materials changes (20% or more) during the most recent two years:
   (1) Increase of current assets: This is mainly due to the relatively better business operating status in 2017 such that the account receivable and inventory are increased.
   (2) Increase of total assets: This is mainly due to the relatively better business operating status in 2017, and the facility expansion is performed in 2017 such that the account receivable, inventory and real estate facility and equipment are increased.
   (3) Increase of current liabilities: This is mainly due to the relatively greater amount of material inbound in 2017 such that the account payable is increased.
   (4) Decrease of non-current liabilities: This is mainly due to that there are no bonds payable in 2017.
   (5) Increase of total amount of liabilities: This is mainly due to the relatively greater amount of material inbound in 2017 such that the account payable is increased.
   (6) Increase of retained earnings: This is mainly due to the net profit in 2017.
   (7) Decrease of other equities: This is due to the decrease of the cumulative translation adjustment generated from the long-term investment.
2. Impacts of major changes during the most recent two years and future countermeasure plan: The overall performance of the Company and subsidiaries does not indicate any material abnormality, so no stipulation of countermeasures is necessary .

II. Financial performance

Unit: NT$ in thousand

Item / Year	2016	2017	Amount increased (decreased)	Ratio of change (%)
Operating revenues	19,096,283	25,846,403	6,750,120	35%
Operating costs	14,556,901	20,184,575	5,627,674	39%
Operating gross profit	4,539,382	5,661,828	1,122,446	25%
Operating expenses	1,487,031	1,700,962	213,931	14%
Operating profit	3,052,351	3,960,866	908,515	30%
Non-operating revenues and interests	(92,601)	(84,080)	8,521	9%
Net profit before tax from continuing operating department	2,959,750	3,876,786	917,036	31%
Income tax expenses	684,570	819,950	135,380	20%
Net profit after tax from continuing operating department	2,275,180	3,056,836	781,656	34%

1. Main reasons for materials changes (20% or more) during the most recent two years:
(1) Increase of operating revenues: This is mainly due to the increase of purchase order resulted from excellent operation of the Company.
(2) Increase of operating costs: This is mainly due to the increase along with the increase of material inbound.
(3) Increase of operating gross profits: This is mainly due to the increase of profit resulted from excellent operation of the Company.
(4) Increase of operating profits: This is mainly due to the increase of profit resulted from excellent operation of the Company.
(5) Increase of net profits before tax from continuing operating department: This is mainly due to the increase of profit resulted from excellent operation of the Company.
(6) Increase of income tax expenses: This is mainly due to the increase along with the profit.
(7) Increase of net profit after tax from continuing operating department: This is mainly due to the increase of profit resulted from excellent operation of the Company. 2. Sales forecast and basis thereof: The Company does not prepare and publicly announce the financial forecast; therefore, it is not applicable.
3. Possible impacts on the future financial business of the Company and countermeasure plans: No obvious impacts on the financial business status.

III. Cash flow analysis

Unit: NT$ in thousand

Cash balance at the beginning of the term (1)	Net cash flow from operations of the whole year (2)	Cash inflow (outflow) from investment and finance of the whole year (3)	Amount of cash surplus (deficiency) (1)+(2)-(3)	Corrective measures for cash deficiency	
				Investment plan	Property management plan
8,744,645	3,098,076	(5,098,270)	6,744,451	—	—

(1) Cash flow change analysis and explanation

1.Cash flow change analysis and explanation and current year cash flow change status analysis:

(1) Operating activities: Net cash inflow of NT$ 3,098,076 thousand dollars; this is due to the continuous profit.

(2) Investment activities: Net cash outflow of NT$ 3,224,669 thousand dollars; this is due to the acquisition of real estate, facility and equipment.

(3) Financing activities: Net cash outflow of NT$ 1,873,601thousand dollars; this is due to the issuance of cash dividends.

2. The corrective measures for cash deficiency forecast and liquidity analysis: Not applicable.

(2) Improvement plan for insufficient liquidity: The Company is not subject to the condition of insufficient liquidity.

(3) Cash liquidity analysis for the coming year:

IV. Impact of major capital expenditure in recent years on financial operations

1. Application of major capital expenditures and the source of funds

Project item	Actual or estimated source of funds	Actual or estimated date of completion	Expected possible benefit generated
Purchasing land and machineries	Own fund/corporate bond	In progress	Refers to benefits for expanding production capacity, enhancing competitiveness of the Company and increasing the operation efficiency .

2. Impact of major capital expenditures on financial operations:

The major capital expenditures of the Company in 2017 were mainly on self-owned funds, which do not have major unfavorable effect upon the Company's financial operations.

V. The re-investment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year.

1.Re-investment policy of the Company

The investment policy of the Company is to invest in industries related to the primary business and is based on the consideration of enhancing the competitiveness of the Company such that each investment project is executed upon thorough evaluation.

2.Main reasons for profit or loss of invested companies and improvement plan

In 2017, the investment profit listed is of the total amount of NT$749,091 thousand dollars, which mainly comes from the profit of subsidiaries.

3.Investment plan for coming year

According to the global plan of the Company, in the future, the Company will set up manufacturing sites at important regions internationally in order to deliver products to customers locally and to reduce the production and logistics costs. In addition, depending upon the development of business, the operating scale of subsidiaries will be expanded.

VI. Analysis and evaluation of risk factors in the most recent year and until the date of publication of the annual report

(A)The effect upon the Company's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1.Interest rate:

The Company and subsidiaries have sound financial structures. In the aspect of interest rates for loans, the Company will strengthen the connection with banks and understand the trend of interest rate in order to obtain the best interest rate for loans. In addition, in the aspect of the application of short-term idle funds, we will take the low risk deposits and repurchase (government repurchase) as investment targets in order to obtain return on short-term investment.

2.Exchange rate:

The Group operates internationally; therefore, it is subject to currency risk generated due to various types of currencies, which are mainly USD and RMB. Relevant currency risk mainly comes from future commercial transactions and assets and liabilities listed.

The management level of the Group has established policies to specify the all companies of the Group to manage the currency risks for their functional currencies.

Each Company of the Group shall perform hedges for the overall currency risks via the Financial Department of the Group. To management the currency risks associated with the future commercial transactions and assets and liabilities listed, each Company of the Group shall perform by using forward exchange agreements via the Financial Department of the Group. When the future commercial transactions and assets or liabilities listed use the foreign currency of non-individual functional currency for calculation, currency risk is then generated.

3.Inflation:

Inflation is the changes in the overall economics, and this element is expected to have minor effect on the Company’s income.

(B)The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

(1)Up to the recent years and up to the printing date of the annual report, the Company and its subsidiaries have not engaged in high risk and high leverage investments.

(2)Up to the recent years and up to the printing date of the annual report, the Company adopts the principles of forward exchange and financial products and deposits, which aim to earn interest gains and are 100% capital guaranteed, when conducting derivatives. Thus, the income generated in limited. They are conducted in accordance with “Regulations Governing Acquisition or Disposition of Assets.”

(3)The Company and its subsidiaries are established with the “Operation Procedure for Lending Fund to Others” in order to be used as a basis for fund lending to others.

(4)The Company and its subsidiaries are established with the “Endorsement Guarantee Operation Procedure” in order to be used as a basis for handling endorsement guarantee to the external.

(C)Research and development work to be carried out in the future, and further expenditures expected for research and development work:

With regard to the future R&D plans and R&D expense expected to be invested in, please refer to the disclosure of the technology development status in the “Report to Shareholders” of this Annual Report.

However, there are not enough FPC talents. The training for research and development personnel requires a long period of time to cultivate the ability. In the aspect of personnel training, the Company and subsidiaries strive for the training on research and development personnel. Aside from the training for professional techniques, we also conduct trainings for staff of management level, so they may efficiently plan, organize, lead and control the resources owned by the organization.

In 2018, the training and budget for R&D personnel of the Company and its subsidiaries expected to be invested by the Company and its subsidiaries will account for 2.5%~4.0% of the annual revenue of the Company and its subsidiaries.

(D)Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

To cope with the domestic and foreign important changes of policies and laws, the Company and its subsidiaries review and revise the Company management rules at all time and readily establish necessary countermeasures in order to satisfy the business operation needs of the Company. In recent years and up to the printing date of the annual report, there are no major impacts of changes of domestic and foreign important policies and laws on the financial business of the Company.

(E)Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

With the increase of popularity of wearable devices, there are more and more functions to the devices as they become much smarter along with applications and services. Many giant companies start to introduce related products. Wearable equipment will push the innovation and revolution of the entire market, which may even replace the smartphone to become the main stream of future technology development. To maintain the competitiveness of the Company and its subsidiaries, the market trend of products must be understood such that the development direction will head toward the high-density layout, slim in size and fine wire with small holes. In recent years and up to the printing date of the annual report, there are no major impacts due to changes of technology and changes of industry on the financial business of the Company and its subsidiaries.

(6)Impacts of change of corporate image on risk management of corporate and countermeasures:

In September 2003, the Company was officially listed in the stock exchange market for public trading. All employees strive for reaching the goal of profit; fulfill the responsibilities to all shareholders. We will continue to strive for the improving the product quality in the future, maintaining the consistent excellent corporate image, and enhancing the status of the Company in the industry. In recent years and up to the printing date of annual report, there are no changes of image of the Company such that the Company faces crisis management.

(7)Expected benefit, possible risk and countermeasures for mergers:

In recent years and up to the printing date of annual report, the Company has no plans for mergers.

(8)Expected benefit, possible risk and countermeasures for expansion of facilities:

The expansion of the facility of the Company is evaluated carefully based on the existing production capacity and future business growth. Major investments and expenditures are reviewed by the board of directors, and the investment benefits and possible risks have been considered appropriately.

(9)Risks and counter-measures for material inbound and sales concentration:

The main product of the Company is FPC, and the main materials used are copper cladded laminates, protection films and electronic components. Since there are numerous suppliers supplying main materials at home or abroad, the supply is not over concentrated on specific suppliers for the Company. In addition, the main customers of the Company are big companies at home or abroad, and sales does not concentrate on specific customers.

(10)Impacts, risks and countermeasures for large amount of transfer or change of equity made by directors, supervisors or main shareholders with shareholding over 10% on the Company:None

(11)Impacts, risks and counter-measures for change of management right on the Company:

The equities of the main shareholders, directors and supervisors of the Company are stable, and there is no event of change of management right.

(12)List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any Company director, any Company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any Company or companies controlled by the Company; and (2) have been concluded by means of a final and affirmative judgment, or are still under litigation, and such dispute could materially affect shareholders' equity or the prices of the Company's securities: None

(13)Other important risks, and mitigation measures being or to be taken: None

VII. Other important matters:

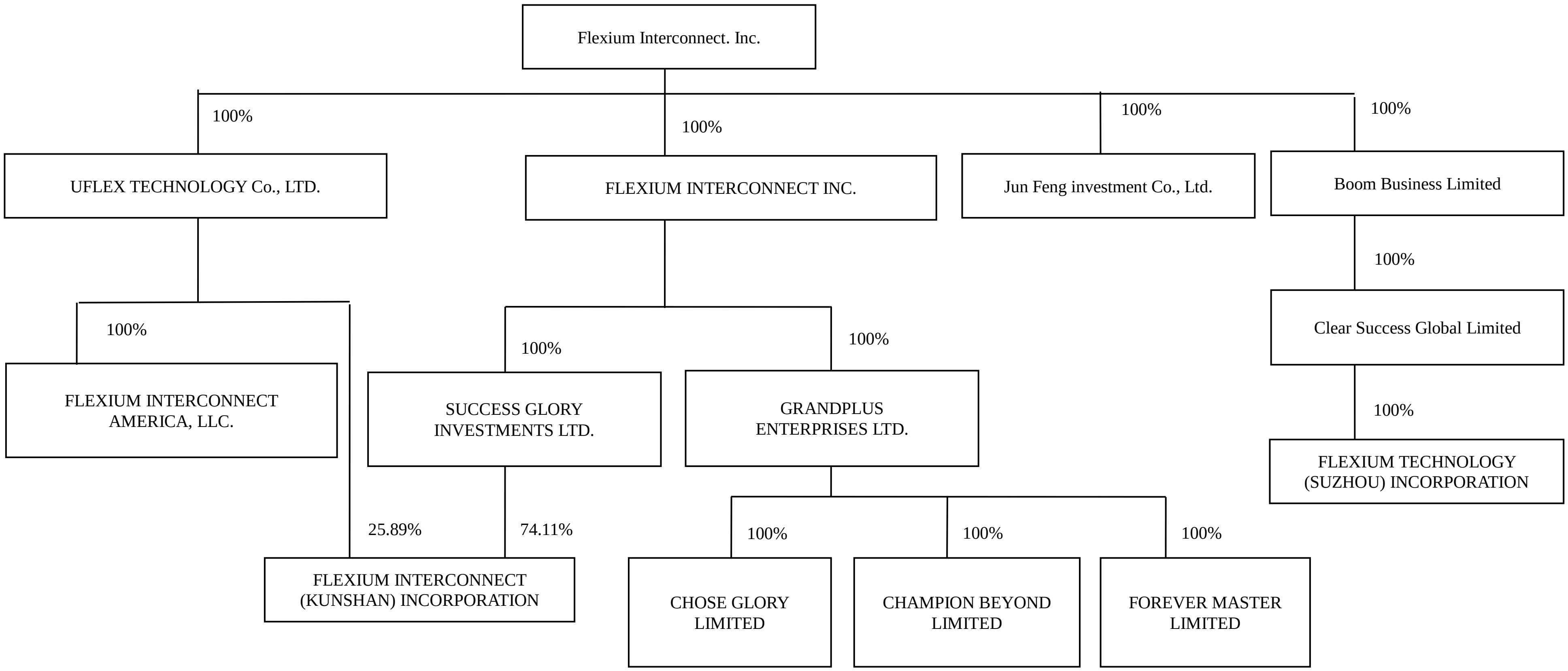
None

H. Special notes

I. 1. Relevant information of affiliates

(A) The consolidated business report of the Company's affiliates

1. Organization chart of the Company's affiliates (December 31, 2017)



2.Basic information of the Company's affiliates (December 31, 2017)

Name of corporation	Date of establishment	Address	Paid-in Capital (NT$ thousand dollars)	Main business or products
UFLEX TECHNOLOGY CO., LTD	2000.10.30	Akara Building, 24 De Castro Street, Wickhams Cay 1.Road Town, Tortola, British Virgin Islands.	468,199	Reinvestment in variable businesses
FLEXIUM INTERCONNECT INC	2002.2.20	P.O Box 3152,Road Town Tortrola,British Virgin Islands	975,567	Reinvestment in variable businesses
Jun Feng investment Co., Ltd.	2010.4.15	Dafa Industrial Park, No. 23, Juguang 1st St., Daliao Dist., Kaohsiung City	50,000	Reinvestment in variable businesses
FLEXIUM INTERCONNECT AMERICA LLC	2011.1.6	4020 Moorpark Avenue Suite 216 San Jose, CA 95117 USA	7,282	Conducting marketing support, and customer and technical services
SUCCESS GLORY INVESTMENTS LTD	2003.3.21	Offshore Chambers, P.O. Box 217 , Apia, Samoa	859,357	Reinvestment in variable businesses
GRANDPLUS ENTERPRISES LTD	2003.6.12	Offshore Chambers, P.O. Box 217 , Apia, Samoa	62,001	Reinvestment in variable businesses
CHOSEN GLORY LIMITED	2014.1.02	Offshore Chambers, P.O. Box 217 , Apia, Samoa	0	Reinvestment in variable businesses
CHAMPION BEYOND LIMITED	2013.12.11	Offshore Chambers, P.O. Box 217 , Apia, Samoa	0	Reinvestment in variable businesses
FOREVER MASTER LIMITE	2014.1.8	Offshore Chambers, P.O. Box 217 , Apia, Samoa	0	Reinvestment in variable businesses
BOOM BUSINESS LIMITED	2016.09.21	2nd Floor,Building B , SNPF Plaza, Savalalo , Apia, Saoma	606,024	Reinvestment in variable businesses
CLEAR SUCCESS GLOBAL LIMITED	2017.01.09	Offshore Chambers, P.O. Box 217, Apia, Samoa	606,024	Reinvestment in variable businesses
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	2000.11.16	National High-Technology Industrial Park, No. 1399, Hanpu Rd., Kunshan City, Jiangsu Province	946,506	Research ,development, manufacturing and sales of new electronic components like flexible circuit boards
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	2017.04.11	No. 1889, Hanpu Road, Yushan Township, Kunshan City, Jiangsu Province	596,960	Research ,development, manufacturing and sales of new electronic components like flexible circuit boards

3. Information of directors, supervisors and the President of each affiliate (2017.12.31)

Name of corporation	Job title	Name or representative	Shares held	
			Shares (thousand shares)	Shareholding ratio (%)
UFLEX TECHNOLOGY CO., LTD	Director	Flexium Interconnect. Inc. (Representative: Ming-Chi Cheng)	15,849	100%
FLEXIUM INTERCONNECT INC	Director	Flexium Interconnect. Inc. (Representative: Ming-Chi Cheng)	31,173	100%
Jun Feng investment Co., Ltd.	Chairman of Board	Flexium Interconnect. Inc. (Representative: Ming-Chi Cheng)	5,000	100%
	Director	Flexium Interconnect, Inc. (Representative: Zi-Tang Lan)		
	Director	Flexium Interconnect, Inc. (Representative: Shao-Shan Su)		
	Supervisor	Flexium Interconnect, Inc. (Representative: Mei-Chen Lee)		
FLEXIUM INTERCONNECT AMERICA LLC	Director	UFLEX TECHNOLOGY CO., LTD. (Representative: Lan, Zi-Tang)	－	100%
SUCCESS GLORY INVESTMENTS LTD	Director	FLEXIUM INTERCONNECT INC. (Representative: Ming-Chi Cheng)	28,010	100%
GRANDPLUS ENTERPRISES LTD	Director	FLEXIUM INTERCONNECT INC. (Representative: Ming-Chi Cheng)	1,881	100%
CHOSEN GLORY LIMITED	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Ming-Chi Cheng)	－	100%
CHAMPION BEYOND LIMITED	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Ming-Chi Cheng)	－	100%
FOREVER MASTER LIMITE	Director	GRANDPLUS ENTERPRISES LTD. (Representative: Ming-Chi Cheng)	－	100%
BOOM BUSINESS LIMITED	Director	Flexium Interconnect. Inc. (Representative: Ming-Chi Cheng)	20,000	100%
CLEAR SUCCESS GLOBAL LIMITED	Director	BOOM BUSINESS LIMITED (Representative: Ming-Chi Cheng)	20,000	100%
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Chairman of Board	UFLEX TECHNOLOGY CO., LTD. (Representative: Ming-Chi Cheng)	Note	100%
	Director	UFLEX TECHNOLOGY CO., LTD. (Representative: Xun-Po Chuang)		
	Director	UFLEX TECHNOLOGY CO., LTD. (Representative: Qi-Feng Tsai)		
	Supervisor	UFLEX TECHNOLOGY CO., LTD. (Representative: Cheng, Ming-Jung)		
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Chairman of Board	CLEAR SUCCESS GLOBAL LIMITED. (Representative: Ming-Chi Cheng)	Note	100%
	Director	CLEAR SUCCESS GLOBAL LIMITED. (Representative: Qi-Feng Tsai)		
	Director	CLEAR SUCCESS GLOBAL LIMITED. (Representative: Yang Cheng)		
	Supervisor	CLEAR SUCCESS GLOBAL LIMITED. (Representative: Xun-Po Chuang)		

Note: It is a limited company; therefore, there are no shares.

4. Overview of operation of affiliates (2017)

Unit: NT$ in thousand

Name of corporation	Capital amount	Total amount of assets	Total amount of liabilities	Net value	Operating revenues	Operating profit	Current term income (after tax)	Earnings per share (dollars) (after tax)
UFLEX	468,199	1,596,206	23,066	1,573,140	-	(5,665)	99,137	-
FLEXIUM	975,567	3,549,457	-	3,549,457	-	(59)	279,675	-
Junfeng Investment	50,000	28,238	45	28,193	-	(714)	(1,341)	-
FLEXIUM (AMERICA)	7,282	6,369	58	6,311	-	(14,606)	1,413	-
SUCCESS	859,357	3,549,061	-	3,549,061	-	(145)	279,659	-
GRANDPLUS	62,001	8,555,995	8,555,607	388	-	(54)	17	-
CHOSEN	-	2,709,714	2,709,714	-	-	-	-	-
CHAMPION	-	5,845,915	5,845,893	22	-	(7)	22	-
FOREVER	-	99,203	99,195	8	-	(1)	8	-
BOOM	606,024	626,979	-	626,979	-	-	10,690	-
CLEAR	606,024	626,979	-	626,979	-	-	10,690	-
FLEXIUM (KUNSHAN)	946,506	16,130,476	11,022,170	5,108,303	-	785,168	858,943	-
FLEXIUM (SUZHOU)	596,960	988,287	361,308	626,979	-	6,772	10,690	-

Note: Foreign companies will be converted into NTD based on the exchange rate on December 31, 2017.

(2) Consolidated Financial Statements of the Company’s affiliates: None

(3) Relationship reports: None

II. Status of private placement of securities for the most recent year and until the date of publication of the annual report

None

III. Status of holding or disposal of shares of the Company by the subsidiaries in recent years or up to the printing date of annual report

None

IV. Other maters requiring supplemental descriptions

None

I. Whether or not any of the situations listed in subparagraph 2, paragraph 2, Article 36 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities, has occurred during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report

None

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

pwc 資誠

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR17000186

To the Board of Directors and Shareholders of Flexium Interconnect, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of Flexium Interconnect, Inc. and subsidiaries (the "Group") as at December 31, 2017 and 2016, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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 (ROC 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.

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan
80048 高雄市新興區民族二路 95 號 22 樓
22F, No. 95, Minzu 2nd Rd., Xinxing Dist., Kaohsiung 80048, Taiwan
T: +886 (7) 237 3116, F: +886 (7) 236 5631, www.pwc.tw

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Key audit matter - Valuation of allowance for accounts receivable

Description

For the accounting policies on accounts receivable, please refer to Note 4(9). For the uncertainty of accounting estimates and assumptions in relation to accounts receivable, please refer to Note 5(2). For the details of net accounts receivable, please refer to Note 6(4).

The criteria that the Group uses to determine whether there is objective evidence of an impairment of individual accounts receivable includes the aging of accounts receivable past due, financial situation of customers, internal credit ranking and historical transaction records. Based on this criterion, the Group estimates the amounts of allowance for accounts receivable that the Group has to provision. As the estimates are subject to management's judgement and involves uncertainty, the recoverable amount may be significantly affected. Thus, we consider the valuation of allowance for material accounts receivable as one of the key audit matters.

How our audit addressed the matter

We have evaluated the allowance for accounts receivable and performed the following audit procedures:

A. Obtained an understanding of the Group's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for accounts receivable, including the objective evidence for the incurred bad debts and compared whether the provision policies adopted in the different periods are consistently applied.

B. Identified impairment of material accounts receivable estimated by management and checked the reasonableness of the relevant supporting documents.

C. Performed audit procedures for collections of overdue accounts receivable after balance sheet date and assessed the reasonableness of those material accounts receivable that were not impaired.

D. Selected samples and performed confirmation of material accounts receivable. Tested the reconciliation statement of the differences between the replies and account balances.

Key audit matter - Estimate of allowance for inventory valuation losses

Description

For the accounting policies on inventory valuation, please refer to Note 4(13). For the uncertainty of accounting estimates and assumptions in relation to inventory valuation, please refer to Note 5(2). For the details of inventory, please refer to Note 6(5).

The Group is primarily engaged in manufacturing and sales of flexible print circuit board which belongs to a rapidly changing industry and is easily affected by the market price. Thus, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group determines inventory value using the item by item approach and recognised at the lower of cost and net realisable value. For inventory that is over a certain age and individually identified obsolete or slow-moving inventory, the net realised value was calculated from the historical experience of disposing old inventories.

The determination of net realisable value for obsolete or slow-moving inventory are subject to management's judgement and involves uncertainty. Considering the Group's inventory balance and the allowance for inventory valuation losses are material to its financial statements, we consider the estimates of the allowance for inventory valuation losses as one of the key audit matters.

How our audit addressed the matter

For inventory which is over a specific age and obsolete inventory that is checked item by item, we have tested the inventory valuation loss process conducted by the management and performed the following audit procedures:

A. Compared financial statements to check whether the provision policy of allowance for inventory valuation loss is consistently applied in all reporting periods and assessed the reasonability of the provision policy.
B. Tested the estimated net realisable value of obsolete and damaged inventory reported. Discussed with management and obtained supporting evidences.
C. Tested the accuracy of logic of management identified individual obsolete or damaged inventory aging report, and confirmed whether the obsolete inventories are recorded in the report.
D. Assessed the reasonability and evidences of management in identifying individual obsolete or damaged inventory.
E. Observed inventory count to match the count information with the obsolete and damaged inventory report which was compiled by management.

F. Verified inventory write-down and allowance for individual inventory valuation losses and compared with individual inventory's impairment provision during the latest period, and assessed the reasonableness of allowance of inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Flexium Interconnect, Inc. as at and for the years ended December 31, 2017 and 2016.

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 Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 ROC 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 ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. 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.
2. 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.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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.
5. 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.
6. Obtain sufficient appropriate audit evidence regarding the 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.

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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 communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Liao, A-Shen	Wu, Chien-Chih
Liao, A-Shen	Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan
February 7, 2018

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.

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 6,727,184	22	$ 8,744,645	37
1110	Financial assets at fair value through profit or loss	6(2)	1,621,153	5	39,804	-
1125	Available-for-sale financial assets - current	6(3)	43,211	-	-	-
1150	Notes receivable, net		-	-	3,788	-
1170	Accounts receivable, net	6(4)	8,113,608	27	4,278,488	18
1200	Other receivables		59,066	-	79,118	-
130X	Inventories, net	6(5)	4,886,635	16	2,019,017	9
1410	Prepayments		319,984	1	207,397	1
1476	Other current financial assets	6(10)	2,198,320	7	2,021,100	9
11XX	**Current Assets**		23,969,161	78	17,393,357	74
	Non-current assets					
1523	Available-for-sale financial assets - noncurrent	6(3)	-	-	174,612	1
1600	Property, plant and equipment, net	6(6)(8)	6,196,860	20	5,017,555	22
1760	Investment property, net	6(7)	290,106	1	302,169	1
1780	Intangible assets, net	6(9)	37,325	-	39,205	-
1840	Deferred tax assets	6(23)	48,890	-	76,491	-
1980	Other non-current financial assets	6(10)	-	-	465,317	2
1990	Other non-current assets, others	6(10)	183,891	1	47,859	-
15XX	**Non-current assets**		6,757,072	22	6,123,208	26
1XXX	**Total assets**		$ 30,726,233	100	$ 23,516,565	100

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FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2017 AMOUNT	%	December 31, 2016 AMOUNT	%
	Current liabilities					
2170	Accounts payable		$ 7,396,853	24	$ 3,431,568	15
2200	Other payables		3,607,951	12	1,711,281	7
2230	Income tax payable	6(23)	659,421	2	480,369	2
2320	Long-term liabilities, current portion	6(11)	528,543	2	240,458	1
2399	Other current liabilities, others		21,368	-	38,790	-
21XX	**Current Liabilities**		12,214,136	40	5,902,466	25
	Non-current liabilities					
2530	Bonds payable	6(11)	-	-	1,575,075	7
2570	Deferred tax liabilities	6(23)	597,627	2	480,943	2
2600	Other non-current liabilities	6(12)	54,062	-	28,179	-
25XX	**Non-current liabilities**		651,689	2	2,084,197	9
2XXX	**Total Liabilities**		12,865,825	42	7,986,663	34
	Equity attributable to owners of parent					
	Share capital	6(14)				
3110	Share capital - common stock		3,179,912	10	2,991,044	13
3140	Advance receipts for share capital		-	-	4,281	-
	Capital surplus	6(11)(15)				
3200	Capital surplus		3,990,243	13	4,504,836	19
	Retained earnings	6(16)				
3310	Legal reserve		1,244,420	4	1,016,902	4
3320	Special reserve		153,669	1	153,669	1
3350	Unappropriated retained earnings	6(23)	10,476,420	34	8,372,889	36
	Other equity interest	6(17)				
3400	Other equity interest		(212,254)	(1)	(73,422)	(1)
3500	**Treasury stocks**	6(14)	(972,002)	(3)	(1,440,297)	(6)
31XX	**Equity attributable to owners of the parent**		17,860,408	58	15,529,902	66
3XXX	**Total equity**		17,860,408	58	15,529,902	66
3X2X	**Total liabilities and equity**		$ 30,726,233	100	$ 23,516,565	100

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Years ended December 31			
			2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**		$ 25,846,403	100	$ 19,096,283	100
5000	**Operating costs**	6(5)(9)	(20,184,575)	(78)	(14,556,901)	(76)
5900	**Net operating margin**		5,661,828	22	4,539,382	24
	Operating expenses	6(9)				
6100	Selling expenses		(163,318)	(1)	(127,287)	(1)
6200	General & administrative expenses		(531,789)	(2)	(452,770)	(2)
6300	Research and development expenses		(1,005,855)	(4)	(906,974)	(5)
6000	**Total operating expenses**		(1,700,962)	(7)	(1,487,031)	(8)
6900	**Operating profit**		3,960,866	15	3,052,351	16
	Non-operating income and expenses					
7010	Other income	6(18)	266,821	1	143,888	1
7020	Other gains and losses	6(2)(3)(19)	(334,644)	(1)	(203,417)	(1)
7050	Finance costs	6(20)	(16,257)	-	(33,072)	-
7000	**Total non-operating income and expenses**		(84,080)	-	(92,601)	-
7900	**Profit before income tax**		3,876,786	15	2,959,750	16
7950	Income tax expense	6(23)	(819,950)	(3)	(684,570)	(4)
8200	**Profit for the year**		$ 3,056,836	12	$ 2,275,180	12
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(12)	($ 5,325)	-	($ 3,854)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(17)	(96,716)	(1)	(313,354)	(1)
8362	Other comprehensive income, before tax, available-for-sale financial assets	6(3)(17)	(42,116)	-	58,616	-
8500	**Total comprehensive income for the year**		$ 2,912,679	11	$ 2,016,588	11
	Profit (loss), attributable to:					
8610	Loss, attributable to owners of parent		$ 3,056,836	12	$ 2,275,180	12
	Comprehensive income attributable to:					
8710	Comprehensive income, attributable to owners of parent		$ 2,912,679	11	$ 2,016,588	11
	Earnings per share	6(24)				
9750	**Basic earnings per share**		$	10.07	$	7.99
9850	**Diluted earnings per share**		$	9.60	$	7.13

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Share capital			Retained earnings			Other equity interest			
	Notes	Share capital - common stock	Advance receipts for share capital	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks	Total equity
Year 2016											
Balance at January 1, 2016		$ 2,779,829	$ -	$ 4,709,307	$ 741,024	$ 153,669	$ 7,011,183	$ 181,316	$ -	($ 376,353)	$ 15,199,975
Distribution of 2015 earnings											
Capitalization of capital reserve		-	-	-	275,878	-	(275,878)	-	-	-	-
Distribution of cash dividends	6(16)	-	-	-	-	-	(633,742)	-	-	-	(633,742)
Allotment of shares using capital surplus	6(14)(15)	126,748	-	(126,748)	-	-	-	-	-	-	-
Allotment of cash using capital surplus	6(15)	-	-	(506,993)	-	-	-	-	-	-	(506,993)
Issuance of convertible bonds	6(11)(15)	-	-	35,723	-	-	-	-	-	-	35,723
Share-based payment transactions	6(13)(14)(15)	2,950	-	(49,956)	-	-	-	-	-	376,353	329,347
Conversion of convertible bonds	6(11)(14)(15)	81,517	4,281	443,503	-	-	-	-	-	476	529,777
Consolidated net income for 2016	6(24)	-	-	-	-	-	2,275,180	-	-	-	2,275,180
Other comprehensive (loss) income for 2016	6(3)(12)(17)	-	-	-	-	-	(3,854)	(313,354)	58,616	-	(258,592)
Buyback of treasury stock	6(14)	-	-	-	-	-	-	-	-	(1,440,773)	(1,440,773)
Balance at December 31, 2016		$ 2,991,044	$ 4,281	$ 4,504,836	$ 1,016,902	$ 153,669	$ 8,372,889	($ 132,038)	$ 58,616	($ 1,440,297)	$ 15,529,902
Year 2017											
Balance at January 1, 2017		$ 2,991,044	$ 4,281	$ 4,504,836	$ 1,016,902	$ 153,669	$ 8,372,889	($ 132,038)	$ 58,616	($ 1,440,297)	$ 15,529,902
Distribution of 2016 earnings											
Capitalization of capital reserve		-	-	-	227,518	-	(227,518)	-	-	-	-
Distribution of cash dividends	6(16)	-	-	-	-	-	(720,462)	-	-	-	(720,462)
Allotment of shares using capital surplus	6(14)(15)	144,092	-	(144,092)	-	-	-	-	-	-	-
Allotment of cash using capital surplus	6(15)	-	-	(576,370)	-	-	-	-	-	-	(576,370)
Share-based payment transactions	6(13)(14)(15)	1,250	-	(1,182)	-	-	-	-	-	145,040	145,108
Conversion of convertible bonds	6(11)(14)(15)	43,526	(4,281)	207,051	-	-	-	-	-	1,053,045	1,299,341
Consolidated net income for 2017	6(24)	-	-	-	-	-	3,056,836	-	-	-	3,056,836
Other comprehensive loss for 2017	6(3)(12)(17)	-	-	-	-	-	(5,325)	(96,716)	(42,116)	-	(144,157)
Buyback of treasury stock	6(14)	-	-	-	-	-	-	-	-	(729,790)	(729,790)
Balance at December 31, 2017		$ 3,179,912	$ -	$ 3,990,243	$ 1,244,420	$ 153,669	$ 10,476,420	($ 228,754)	$ 16,500	($ 972,002)	$ 17,860,408

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 3,876,786	$ 2,959,750
Adjustments			
Adjustments to reconcile profit (loss)			
Share-base payment transactions	6(13)	9,436	-
Reversal of allowance for sales returns and discounts	6(4)	(25,905)	(7,968)
Depreciation	6(6)(21)	1,007,998	969,860
Depreciation expense from investment properties	6(7)(21)	12,063	4,021
Amortization of intangible and other assests	6(9)(21)	27,739	28,033
Rental expense (land use rights)	6(10)	2,065	1,123
Loss (profit) on valuation of financial assets at fair value	6(2)(19)	10,512	(9,156)
Interest expense	6(20)	16,257	33,072
Interest income	6(18)	(97,523)	(88,301)
Dividend income	6(18)	(13,031)	-
Loss on disposal of property, plant and equipment	6(19)	61,224	4,137
Gains on disposal of investments	6(3)(19)	(51,685)	-
Gain on valuation of convertible bonds payable		-	(12,681)
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease (increase) in financial assets at fair value-current		5,086	(10,693)
Decrease (increase) in notes receivable		3,788	(3,756)
Increase in accounts receivable		(3,809,215)	(1,223,538)
Increase in other receivables		(25,266)	(6,826)
Increase in inventories		(2,867,618)	(256,083)
(Increase) decrease in prepayments		(88,687)	21,408
Increase in other financial assets-current		(177,220)	(1,338,740)
Decrease in other financial assets-non-current		465,317	43,892
Changes in operating liabilities			
Decrease in financial liabilities at fair value-current		(770)	-
Decrease in notes payable		-	(220)
Increase in accounts payable		3,965,285	623,839
Increase in other payables		1,162,551	74,234
Decrease (increase) in other current liabilities		(17,422)	19,321
Cash inflow generated from operations		3,451,765	1,824,728
Interest received		129,893	64,924
Dividend received		13,031	-
Income tax paid		(496,613)	(722,241)
Net cash flows from operating activities		3,098,076	1,167,411

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FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31 2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss, designated upon initial recognition		($ 1,598,788)	$ -
Proceeds from disposal of financial assets at fair value through profit or loss, designated upon initial recognition		-	509,209
Acquisition of available-for-sale financial assets		-	(117,444)
Proceeds from disposal of available-for-sale financial assets		143,581	-
Proceeds from capital reduction of available-for-sale financial assets		-	1,448
Acquisition of property, plant and equipment	6(25)	(1,741,769)	(986,300)
Proceeds from disposal of property, plant and equipment		74,865	5,561
Acquisition of investment properties	6(7)	-	(306,190)
Acquistiion of intangible assets	6(9)	(25,816)	(28,907)
(Increase) decrease in refundable deposits		(8,298)	669
Increase in other non-current assets		(81,392)	-
Interest received		12,948	5,808
Net cash flows used in investing activities		(3,224,669)	(916,146)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of bonds		-	1,594,765
Repayments of bonds		-	(507,341)
Increase in other non-current liabilities		20,558	4,203
Cash dividends paid	6(15)(16)	(1,296,832)	(1,140,735)
Proceeds from issuance of stock from exercising employee stock options	6(13)	3,145	4,473
Treasury stock transferred	6(13)	132,926	325,851
Payments to acquire treasury shares	6(14)	(729,790)	(1,440,773)
Treasury shares conversion cost		(3,608)	(977)
Net cash flows used in financing activities		(1,873,601)	(1,160,534)
Effect of exchange rate changes on cash and cash equivalents		(17,267)	54,245
Net decrease in cash and cash equivalents		(2,017,461)	(855,024)
Cash and cash equivalents at beginning of year	6(1)	8,744,645	9,599,669
Cash and cash equivalents at end of year	6(1)	$ 6,727,184	$ 8,744,645

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

FLEXIUM INTERCONNECT, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

(1) Flexium Interconnect, Inc. (the "Company") was incorporated under the provisions of the Company Law of the Republic of China (R.O.C.) and other relevant regulations on December 19, 1997. The Company is primarily engaged in the following: (1) manufacturing of build-up copper clad laminate; (2) manufacturing, processing, research, development, trading and repair of build-up printed circuit boards, flexible printed circuit boards, related semi-finished goods and parts; (3) manufacturing, research, development, and trading of parts for semi-finished goods of polyimide film base copper clad laminate; (4) manufacturing, processing, repair, design, trading of moulds, tools and clamping apparatuses; and (5) sale of raw materials for the products mentioned above. The Company's shares have been traded in the Taiwan Stock Exchange since September, 2003.

(2) Please refer to Note 4(3) B for the descriptions on the primary business operations of the Company and its subsidiaries (collectively referred herein as the "Group").

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 7, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investment entities: applying the consolidation exception'	January 1, 2016
Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Amendments to IAS 1, 'Disclosure initiative'	January 1, 2016
Amendments to IAS 16 and IAS 38, 'Clarification of acceptable methods of depreciation and amortisation'	January 1, 2016
Amendments to IAS 16 and IAS 41, 'Agriculture: bearer plants'	January 1, 2016
Amendments to IAS 19, 'Defined benefit plans: employee contributions'	July 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 27, 'Equity method in separate financial statements'	January 1, 2016
Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'	January 1, 2014
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4 'Applying IFRS 9 Financial instruments with IFRS 4, Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40 'Transfers of investment property'	January 1, 2018
IFRS 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Group shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

When adopting the new standards endorsed by the FSC effective from 2018, the Group will apply the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. On January 1, 2018, the Group classified available-for-sale financial assets at the amount of $43,211 in accordance with IFRS 9 by increasing financial assets at fair value through profit or loss, increasing retained earnings in the amounts of $16,500 and decreasing other equity interest in the amounts of $16,500.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows：

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate of joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Available-for-sale financial assets measured at fair value.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
			December 31,		
Name of investor	Name of subsidiary	Main business activities	2017	2016	Note
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO.,	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Business investment	100	-	Note 2
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Business investment	100	100	
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Business investment	100	100	
UFLEX TECHNOLOGY CO., LTD.	FLEXIUM INTERCONNECT AMERICA LLC	Marketing supporting, and technology services	100	100	
SUCCESS GLORY INVESTMENTS LTD. and UFLEX TECHNOLOGY CO., LTD.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards)	100	100	Note 1
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Business investment	100	100	
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Business investment	100	100	
GRANDPLUS ENTERPRISES LTD.	FOREVER MASTER LIMITED	Business investment	100	100	
BOOM BUSINESS LIMITED	CLEAR SUCCESS GLOBAL LIMITED	Business investment	100	-	Note 2
CLEAR SUCCESS GLOBAL LIMITED	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Research, development, manufacturing and sale of new-type electronic components and devices (such as flexible printed circuit boards)	100	-	Note 2

Note 1: As of December 31, 2017 and 2016, the ownership percentages of SUCCESS GLORY INVESTMENTS LTD. were both 74.11%, and the ownership percentages of UFLEX TECHNOLOGY CO., LTD. were both 25.89%.

Note 2: Newly established in the second quarter of 2017.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using settlement date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs.

These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) The disappearance of an active market for that financial asset because of financial difficulties;

(c) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(d) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; and

(e) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	2 ~ 35 years
Machinery equipment	2 ~ 15 years
Transportation equipment	3 ~ 15 years
Office equipment	5 ~ 10 years
Other equipment	2 ~ 10 years

(15) Operating leases (lessee)

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

B. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 3 years.

(17) Intangible assets

Computer software is stated at cost and amortized using the straight-line method over its estimated economic service life.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Financial liabilities and equity instruments

A. Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

(a) Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(c) Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus—stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabilities at fair value through profit or loss' and 'bonds payable—net' as stated above. Conversion options are not subsequently remeasured.

(d) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

(e) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - stock warrants.

B. Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares, but not by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset or a financial liability in accordance with the substance of the contractual arrangement. Convertible corporate bonds are accounted for as follows:

(a) Conversion options, call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

(b) Bonds payable of convertible corporate bonds is initially recognised at the remaining value of total issue price less amount of 'financial assets or financial liabilities at fair value through profit or loss' as stated above, and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

(c) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to each liability component in proportion to the allocation of proceeds.

(d) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') is remeasured on the conversion date. The book value of common shares issued due to the conversion is based on the adjusted book value of the abovementioned liability component.

(24) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii.Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii.Past service costs are recognised immediately in profit or loss.

C. Employees', directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(27) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(28) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(29) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(30) Revenue recognition

A. The Group manufactures and sells flexible printed circuit board products. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised.

(31) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The above information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the decline of the fair value of an individual equity investment below cost was considered significant or prolonged, the Group would suffer a loss in its financial statements, being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to profit or loss.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of accounts receivable

When there is objective evidence showing that the accounts receivable are impaired, the Company will consider the estimated future cash flows. The amount of impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows (excluding future credit loss that not yet incurred) discounted at the financial asset's original effective interest rate. If the actual future cash flows are lower than expected, significant impairment loss may incur.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash:		
Cash on hand and revolving funds	$ 909	$ 1,243
Checking accounts and demand deposits	2,743,358	1,934,914
	2,744,267	1,936,157
Cash equivalents:		
Time deposits	3,982,917	6,646,261
Bonds with resale agreement	-	162,227
	3,982,917	6,808,488
	$ 6,727,184	$ 8,744,645

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2017	December 31, 2016
Current items:		
Financial assets held for trading Listed stocks	$ 40,513	$ 47,705
Valuation adjustment of financial assets held for trading	(18,148)	(7,901)
	22,365	39,804
Financial assets designated as at fair value through profit or loss on initial recognition		
Structured certificates of deposit	1,598,788	-
	$ 1,621,153	$ 39,804

A. The Group recognised net (loss) gain of ($13,123) and $9,156 on financial assets and liabilities held for trading for the years ended December 31, 2017 and 2016, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

Derivative Financial Assets	December 31, 2017 Contract Amount (notional principal)	December 31, 2017 Contract Period	December 31, 2016 Contract Amount (notional principal)	December 31, 2016 Contract Period
Structured certificates of deposit	RMB 50,000 thousand	2017.11~2018.02	-	-
Structured certificates of deposit	RMB 50,000 thousand	2017.12~2018.03	-	-
Structured certificates of deposit	RMB 50,000 thousand	2017.12~2018.03	-	-
Structured certificates of deposit	RMB 30,000 thousand	2017.11~2018.03	-	-
Structured certificates of deposit	RMB 70,000 thousand	2017.12~2018.03	-	-
Structured certificates of deposit	RMB 30,000 thousand	2017.12~2018.03	-	-
Structured certificates of deposit	RMB 50,000 thousand	2017.12~2018.03	-	-
Structured certificates of deposit	RMB 20,000 thousand	2017.12~2018.03	-	-

C. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

Items	December 31, 2017	December 31, 2016
Current items:		
Listed stocks	$ 26,711	$ -
Valuation adjustment	16,500	-
	$ 43,211	$ -
Non-current items:		
Listed stocks	$ -	$ 115,996
Valuation adjustment	-	58,616
	$ -	$ 174,612

The Group recognised $12,180 and $58,616 in other comprehensive income for fair value change and reclassified $54,296 and $0 for equity to profit for the years ended December 31, 2017 and 2016, respectively.

(4) Accounts receivable

	December 31, 2017	December 31, 2016
Accounts receivable	$ 8,134,574	$ 4,326,266
Less: Allowance for doubtful accounts	-	(907)
Allowance for sales returns and discounts	(20,966)	(46,871)
	$ 8,113,608	$ 4,278,488

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2017	December 31, 2016
Up to 180 days	$ 181,311	$ 188,532
Over 181 days	-	-
	$ 181,311	$ 188,532

The above ageing analysis was based on overdue dates.

B. Movement analysis of financial assets that were impaired (allowance for doubtful accounts of accounts receivable) is as follows:

(a)As of December 31, 2017 and 2016, the Group's accounts receivable that were both impaired amounted to $0 and $907, respectively.

(b)Movements on the Group's provision for impairment of accounts receivable are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	$ 907	$ -	$ 907
Write-offs during the year	(907)	-	(907)
At December 31	$ -	$ -	$ -

	2016		
	Individual provision	Group provision	Total
At January 1	$ 907	$ -	$ 907
Provision for impairment	1,369	-	1,369
Reversal of impairment	(1,369)	-	(1,369)
At December 31	$ 907	$ -	$ 907

The basic collection term is 45-120 days. The Group analyzes clients' accounts receivable based on any change to credit quality, historical experience and current financial status and others to estimate uncollectible amounts.

C. Accounts receivable that are neither past due nor impaired are mainly from clients with outstanding collection history.

D. The Group does not hold collateral as security for accounts receivable.

(5) Inventories

	December 31, 2017	December 31, 2016
Raw materials	$ 770,631	$ 269,068
Work in process and semi-finished goods	1,274,960	477,761
Finished goods	2,841,044	1,272,188
	$ 4,886,635	$ 2,019,017

The cost of inventories recognised as expense for the years ended December 31, 2017 and 2016, was $20,184,575 and $14,556,901 respectively, including the amount of $163,292, that the Group wrote down from cost to net realisable value accounted for as cost for goods sold, as well as the amount of $108,853, that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the clearance of inventories that was already provisioned loss in market value decline.

(6) Property, plant and equipment

A. Book values of property, plant and equipment are as follows:

	December 31, 2017	December 31, 2016
Land	$ 516,599	$ 516,599
Buildings	1,248,553	1,005,405
Machinery	4,049,675	3,081,219
Transportation equipment	6,473	6,991
Office equipment	1,112	1,549
Other equipment	85,425	69,023
Construction in progress and equipment under acceptance	289,023	336,769
	$ 6,196,860	$ 5,017,555

B. Changes in property, plant and equipment are as follows:

	Year ended December 31, 2017					
Cost	Opening net book amount	Additions and transfer	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Land	$ 516,599	$ -	$ -	$ -	$ -	$ 516,599
Buildings	1,529,542	445,339	(44,828)	-	(25,551)	1,904,502
Machinery	5,766,175	1,947,349	(233,191)	-	(68,599)	7,411,734
Transportation equipment	19,497	2,944	(2,695)	-	(215)	19,531
Office equipment	14,901	-	(47)	-	(245)	14,609
Other equipment	325,500	52,157	(22,218)	-	(3,416)	352,023
Construction in progress and equipment under acceptance	336,769	(44,571)	-	-	(3,175)	289,023
	$ 8,508,983	$ 2,403,218	($ 302,979)	$ -	($ 101,201)	$ 10,508,021

	Year ended December 31, 2016					
Cost	Opening net book amount	Additions and transfer	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Land	$ 274,599	$ 242,000	$ -	$ -	$ -	$ 516,599
Buildings	1,626,932	31,387	(99)	-	(128,678)	1,529,542
Machinery	5,550,815	658,865	(74,060)	1,482	(370,927)	5,766,175
Transportation equipment	18,915	1,543	-	-	(961)	19,497
Office equipment	16,290	-	(275)	-	(1,114)	14,901
Other equipment	322,474	25,747	(5,437)	(1,482)	(15,802)	325,500
Construction in progress and equipment under acceptance	366,557	(4,780)	-	-	(25,008)	336,769
	$ 8,176,582	$ 954,762	($ 79,871)	$ -	($ 542,490)	$ 8,508,983

	Year ended December 31, 2017					
Accumulated depreciation and impairment	Opening net book amount	Additions and transfer	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Buildings	$ 524,137	$ 138,243	($ 358)	$ -	($ 6,073)	$ 655,949
Machinery	2,684,956	833,845	(141,875)	-	(14,867)	3,362,059
Transportation equipment	12,506	3,137	(2,500)	-	(85)	13,058
Office equipment	13,352	399	(47)	-	(207)	13,497
Other equipment	256,477	32,374	(19,870)	-	(2,383)	266,598
	$ 3,491,428	$ 1,007,998	($ 164,650)	$ -	($ 23,615)	$ 4,311,161

Accumulated depreciation and impairment	Year ended December 31, 2016 Opening net book amount	Additions and transfer	Deduction	Reclassifications	Effects of exchange rate changes	Closing net book amount
Buildings	$ 439,067	$ 119,405	($ 99)	$ -	($ 34,236)	$ 524,137
Machinery	2,089,850	812,667	(66,590)	1,482	(152,453)	2,684,956
Transportation equipment	10,620	2,321	-	-	(435)	12,506
Office equipment	13,070	1,439	(259)	-	(898)	13,352
Other equipment	240,369	34,028	(4,747)	(1,482)	(11,691)	256,477
	$ 2,792,976	$ 969,860	($ 71,695)	$ -	($ 199,713)	$ 3,491,428

C. No borrowing costs were capitalized as part of property, plant and equipment in 2017 and 2016.

D. Impairment information about the property, plant and equipment is provided in Note 6(8).

(7) Investment property

	Land	Buildings	Total
At January 1, 2017			
Cost	$ 270,000	$ 36,190	$ 306,190
Accumulated depreciation and impairment	-	(4,021)	(4,021)
	$ 270,000	$ 32,169	$ 302,169
2017			
Opening net book amount as at January 1	$ 270,000	$ 32,169	$ 302,169
Depreciation	-	(12,063)	(12,063)
Closing net book - amount as at December 31	$ 270,000	$ 20,106	$ 290,106
At December 31, 2017			
Cost	$ 270,000	$ 36,190	$ 306,190
Accumulated depreciation and impairment	-	(16,084)	(16,084)
	$ 270,000	$ 20,106	$ 290,106

	Land	Buildings	Total
At January 1, 2016			
Cost	$ -	$ -	$ -
Accumulated depreciation and impairment	-	-	-
	$ -	$ -	$ -
2016			
Opening net book amount as at January 1	$ -	$ -	$ -
Additions	270,000	36,190	306,190
Depreciation	-	(4,021)	(4,021)
Closing net book - amount as at December 31	$ 270,000	$ 32,169	$ 302,169
At December 31, 2016			
Cost	$ 270,000	$ 36,190	$ 306,190
Accumulated depreciation and impairment	-	(4,021)	(4,021)
	$ 270,000	$ 32,169	$ 302,169

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Year ended December December 31, 2017	Year ended December December 31, 2016
Rental income from investment property	$ 11,081	$ 4,140
Direct operating expenses arising from the investment property that generated rental income during the period	$ 13,204	$ 4,021

B. The fair value of the investment property held by the Group as at December 31, 2016 was $489,607, which was valued by independent valuers. Valuations were made using the comparison approach and income approach which were categorised within Level 3 in the fair value hierarchy.

C. On December 31, 2017, the fair value of property investment held by the Group was $311,195, which was estimated using the quoted value of the same location with the same nature from the website of trading prices of real estate from the Ministry of Interior. The fair value measurements being categorised within Level 3.

(8) Impairment of non-financial assets

The Group's accumulated impairment loss for the years ended December 31, 2017 and 2016 amounted to $0 respectively, as follows:

	January 1, 2017	Impairment for the year	Effect of asset disposal	December 31, 2017
Accumulated impairment loss-machinery	$ -	$ -	$ -	$ -
Accumulated impairment loss-others	-	-	-	-
	$ -	$ -	$ -	$ -

	January 1, 2016	Impairment for the year	Effect of asset disposal	December 31, 2016
Accumulated impairment loss-machinery	$ 453	$ -	($ 453)	$ -
Accumulated impairment loss-others	7	-	(7)	-
	$ 460	$ -	($ 460)	$ -

(9) Intangible assets-computer software cost

A. Changes in computer software cost are as follows:

	2017	2016
At January 1	$ 39,205	$ 38,477
Additions-acquired separately	25,816	28,907
Amortization	(27,739)	(28,033)
Effects of exchange rate changes	43	(146)
At December 31	$ 37,325	$ 39,205

B. Details of amortization on intangible assets are as follows:

	2017	2016
Operating costs	$ 397	$ 1,956
Administrative expenses	18,706	19,801
Research and development expenses	8,636	6,276
	$ 27,739	$ 28,033

(10) Other financial assets and other non-current assets

Items	December 31, 2017	December 31, 2016
Other financial assets-current:		
Time deposit	$ 2,198,320	$ 2,021,100
Other financial assets-non-current:		
Time deposit	$ -	$ 465,317
Other non-current assets:		
Prepayments for equipment	$ 48,073	$ -
Refundable deposits	11,938	3,566
Long-term prepaid rent	123,880	44,293
	$ 183,891	$ 47,859

The Group recognized rental expenses of $2,065 and $1,123 for the years ended December 31, 2017 and 2016, respectively.

(11) Bonds payable

	December 31, 2017	December 31, 2016
Third domestic unsecured convertible bonds	$ -	$ 242,585
Fourth domestic unsecured convertible bonds	535,982	1,620,915
Less: Discount on bonds payable	(7,439)	(47,967)
	528,543	1,815,533
Less: current portion		
(Shown as"Long-term liabilities, current portion")	(528,543)	(240,458)
	$ -	$ 1,575,075

A. The terms of the second overseas unsecured convertible bonds issued by the Company are as follows:

(a) On July 25, 2013, the Company issued 0% coupon, 3-year overseas unsecured convertible bonds with the principal in the amount of US$100 million. The bonds are repayable in full at face value at maturity. The bonds were traded in the Singapore Exchange Limited since July 25, 2013.

(b) The bondholders have the right to ask for conversion of the bonds into common stock during the period from the date after one month of issuance of bonds to 10 days before the maturity date, except during the mandatory stop transfer period as required by law. The converted shares have the same rights and obligations as common shares. As of July 25, 2016, the bonds with face value in the amount of US$84,300 thousand had been converted into 27,813 thousand shares of common stocks.

(c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT$110 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. At conversion, the number of ordinary shares can be converted to be calculated by applying the carrying value of the bonds to the fixed exchange rate of 29.935 then divided by the conversion price per share at the conversion date. As of July 25, 2016, the conversion price was adjusted to NT$85.3 (in dollars) per share.

(d) The bondholders may require the Company to redeem any bonds at 102.01% of the bonds' face value upon the date after two years of issuance of the bonds.

(e) The redemption terms are as follows:

i. After 30 days of issuance of the bonds, when the closing prices of the Company's stock for a period of 30 consecutive trading days are above 130% of the conversion price, the Company may redeem all of the outstanding bonds at face value.

ii. The Company may redeem all of the outstanding bonds at face value at any time when 90% of the outstanding bonds redeemed, repurchased and canceled by the bondholders exercise their conversion rights.

iii. Changes in R.O.C. Tax Law may cause the Company to incur more tax expense. In this case, the Company may redeem all of the outstanding bonds at face value.

(f) Under the terms of the bonds, all bonds redeemed (including from secondary market), matured and converted will be retired and not to be reissued. The rights and obligations of the bonds will also cease. As of July 25, 2016, the convertible bonds totaling US$15,700 thousand (face value) were repurchased and retired by the Company from the Singapore Exchange Limited.

(g) The fair value of put and call options embedded in bonds payable is separated from bonds payable and is recognized in "Financial assets or liabilities at fair value through profit or loss" in accordance with IAS 39. The annual effective interest rate of the bonds payable after separation is 2.83%.

B. The terms of the Third domestic unsecured convertible bonds issued by the Company are as follows:

(a) On August 21, 2014, the Company issued 0% coupon, 3-year domestic unsecured convertible bonds in the amount of $2,000,000. The bonds along with interest payable refund (which is 1.5% of the face value of the bond at maturity) are repayable in full by cash at face value at maturity. The bonds were traded in the Taipei Exchange since August 21, 2014.

(b) The bondholders have the right to ask for conversion of the bonds into common stock during the period from the date after one month of issuance of bonds to the maturity date, except during the mandatory stop transfer period as required by law. The converted shares have same rights and obligations as common shares. As of August 21, 2017, the bonds with face value in the amount of $2,000,000 had been converted into 29,621 thousand shares of common stocks.

(c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT$81.8 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. As of August 21, 2017, the conversion price was adjusted to NT$56 (in dollars) per share.

(d) Under the terms of the bonds, all bonds redeemed (including those repurchased from Taipei Exchange), matured and converted will be retired and not to be reissued. The rights and obligations of the bonds will also cease.

(e) The fair value of equity conversion options in the amount of $46,877 was separated from bonds payable and was recognized in "Capital reserve from stock options" in accordance with IAS 32. As of August 21, 2017, the balance of "Capital reserve from stock options" after adjusting the amount converted into common stock is $0. The annual effective interest rate of the bonds payable after separation is 1.38%.

C. The terms of the Fourth domestic unsecured convertible bonds issued by the Company are as follows:

(a) On April 12, 2016, the Company issued 0% coupon, 2-year and 8-month domestic unsecured convertible bonds in the amount of $1,600,000. The bonds along with interest payable refund (which is 1.3389% of the face value of the bond at maturity) are repayable in full by cash at face value at maturity. The bonds were traded in the Taipei Exchange since April 12, 2016.

(b) The bondholders have the right to ask for conversion of the bonds into common stock during the period from the date after one month of issuance of bonds to the maturity date, except during the mandatory stop transfer period as required by law. The converted shares have same rights and obligations as common shares. As of December 31, 2017, the bonds with face value in the amount of $1,071,100 had been converted into 14,624 thousand shares of common stocks.

(c) The conversion price is set up according to the terms of the bonds and is subject to adjustments when the anti-dilution provisions occur. The conversion price was set at NT$83.7 (in dollars) per share on issuance. If the conversion price reset according to the terms is higher than the original conversion price of current year, then the conversion price will not be adjusted. As of December 31, 2017, the conversion price was adjusted to NT$69.2 (in dollars) per share.

(d) Under the terms of the bonds, all bonds redeemed (including those repurchased from Taipei Exchange), matured and converted will be retired and not to be reissued. The rights and obligations of the bonds will also cease.

(e) The fair value of equity conversion options in the amount of $35,723 was separated from bonds payable and was recognized in "Capital reserve from stock options" in accordance with IAS 32. As of December 31, 2017, the balance of "Capital reserve from stock options" after adjusting the amount converted into common stock is $11,809. The annual effective interest rate of the bonds payable after separation is 1.47%.

(12) <u>Pensions</u>

A.(a)The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b)The amounts recognised in the balance sheet are as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	$ 55,740	$ 49,775
Fair value of plan assets	(35,033)	(33,039)
Net defined benefit liability (Shown as "other non-current liabilities")	$ 20,707	$ 16,736

(c)Changes in present value of defined benefit obligations are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	($ 49,775)	$ 33,039	($ 16,736)
Interest (expense) income	(896)	609	(287)
	(50,671)	33,648	(17,023)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(256)	(256)
Experience adjustments	(5,069)	-	(5,069)
	(5,069)	(256)	(5,325)
Pension fund contribution	-	1,641	1,641
Balance at December 31	($ 55,740)	$ 35,033	($ 20,707)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	($ 45,386)	$ 31,131	($ 14,255)
Interest (expense) income	(817)	575	(242)
	(46,203)	31,706	(14,497)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(282)	(282)
Experience adjustments	(3,572)	-	(3,572)
	(3,572)	(282)	(3,854)
Pension fund contribution	-	1,615	1,615
Balance at December 31	($ 49,775)	$ 33,039	($ 16,736)

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e)The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	1.80%	1.80%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 1%	Decrease 1%
December 31, 2017				
Effect on present value of defined benefit obligation	($ 2,507)	$ 2,646	$ 11,353	($ 9,326)
December 31, 2016				
Effect on present value of defined benefit obligation	($ 2,277)	$ 2,407	$ 10,338	($ 8,459)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of sensitivity analysis during 2017 and during 2016 are the same.

(f)Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 amounts to $1,641.

(g)As of December 31, 2017, the weighted average duration of that retirement plan is 20 years.

B. (a)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The Company's mainland China subsidiaries, Flexium Interconnect (Kunshan) Incorporation and Flexium Technology (Suzhou) Incorporation, have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c)The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2017 and 2016 were $122,527 and $127,757, respectively.

(13) Share-based payment

A. Options granted during the period from January 1, 2004 through January 1, 2008

(a) The exercise price under stock-based employee compensation plan in 2007 was determined at the closing price ($17 in dollars per share) of the Company's common stock upon issuance of the stock option. If there is a change in common stock or the Company distributes cash dividend, the exercise price would be adjusted according to specific formulas. The expected vesting period is 10 years. After 2 years from the date of grant, an employee may exercise the options in accordance with certain schedules as prescribed by the employee option plan.

(b) Details of the share-based payment arrangements are as follows:

	2017		2016	
Stock options	Number of options (in thousands)	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	324	$ 8.30	532	$ 9.20
Options expired	(324)	8.30	-	-
Options exercised	-	-	(208)	9.20
Options outstanding at December 31	-	-	324	8.30
Options exercisable at December 31	-	-	324	8.30

(c) The weighted-average stock price of stock options at exercise dates for the year ended December 31, 2016 was NT$86.69 (in dollars). For the year ended December 31, 2017, there is no comparative information.

(d) As of December 31, 2017 and 2016, the information on outstanding employee stock compensation plans is set forth below:

	Stock options outstanding at December 31, 2017			Stock options exercisable at December 31, 2017	
Exercise price (in dollars)	Number of options (in thousands)	Weighted-average expected remaining period	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
$ -	-	-	$ -	-	$ -

	Stock options outstanding at December 31, 2016			Stock options exercisable at December 31, 2016	
Exercise price (in dollars)	Number of options (in thousands)	Weighted-average expected remaining period	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
$ 8.30	324	1 month	$ 8.30	324	$ 8.30

(e) The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	January 29, 2007
Dividend yield rate	0%
Expected price volatility	56%
Risk-free interest rate	2%
Expected terms	10 years
Weighted-average fair value per share (in dollars)	42.32

B. Options granted after January 1, 2008

(a) The initial exercise price under stock-based employee compensation plan in 2010 was $46.95 (in dollars) per share. If there is a change in common stock or the Company distributes cash dividend, the exercise price would be adjusted according to specific formulas. As of December 31, 2017, the adjusted exercise price was NT$24.40 (in dollars). The expected vesting period is 10 years. After 2 years from the date of grant, an employee may exercise the options in accordance with certain schedules as prescribed by the employee option plan.

(b) Details of the employee stock options are set forth below:

	2017		2016	
Stock options	Number of options (in thousands)	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	812	$ 26.60	899	$ 29.50
Options exercised	(125)	25.16	(87)	29.42
Options outstanding at December 31	687	24.40	812	26.60
Options exercisable at December 31	687	24.40	812	26.60

(c)The weighted-average stock price of stock options at exercise dates for the years ended December 31, 2017 and 2016 was $126.07 and $85.29, respectively.

(d)As of December 31, 2017 and 2016, the information on outstanding employee stock compensation plans is set forth below:

	Stock options outstanding at December 31, 2017			Stock options exercisable at December 31, 2017	
Exercise price (in dollars)	Number of options (in thousands)	Weighted-average expected remaining period	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
$ 24.40	687	2 years and 2 months	$ 24.40	687	$ 24.40

	Stock options outstanding at December 31, 2016			Stock options exercisable at December 31, 2016	
Exercise price (in dollars)	Number of options (in thousands)	Weighted-average expected remaining period	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
$ 26.60	812	3 years and 2 months	$ 26.60	812	$ 26.60

(e) The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

	March 18, 2010
Dividend yield rate	0%
Expected price volatility	40%
Risk-free interest rate	2%
Expected terms	10 years
Weighted-average fair value per share (in dollars)	11.10~16.91

(f) Expenses incurred on equity-settled share-based payment transactions for the years ended December 31, 2017 and 2016 were both $0.

C. On October 28, 2015, the Board of Directors adopted a resolution to transfer treasury stocks purchased from the fifth purchase to employees.

(a) Information on the stock options above is as follows:

Type of arrangement	Grant date	Number of shares granted (in thousands)	Vesting conditions
Treasury stock transferred to employees	2015.10.28	4,551	Vested immediately

(b) Details of the share-based payment arrangements are as follows:

	2017		2016	
Stock options	Number of options (in thousands)	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -	4,551	$ 82.70
Options exercised	-	-	(4,551)	71.60
Options outstanding at December 31	-	-	-	-
Options exercisable at December 31	-	-	-	-

(c) The fair value of stock options on the grant date was estimated under the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Weighted-average stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life (in years)	Risk-free interest rate	Fair value per share (in dollars)
Treasury stock transferred to employees	2015.10.28	$ 99.30	$ 82.70	43.14%	0.14	0.28	$ 17.59

(d) The compensation cost recognized at the grant date was $80,053. As of November 10, 2016, the shares were issued to the employees from the treasury stock depository account.

D. On February 21, 2017, the Board of Directors adopted a resolution to transfer treasury stocks purchased from the seventh purchase to employees.

(a) Information on the stock options is as follows:

Type of arrangement	Grant date	Number of shares (in thousands)	Vesting conditions
Treasury stock transferred to employees	2017.2.21	$ 1,627	Vested immediately

(b) Details of the share-based payment arrangements are as follows:

	2017		2016	
Stock options	Number of options (in thousands)	Weighted-average exercise price (in dollars)	Number of options (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at January 1	-	$ -	-	$ -
Options granted	1,627	89.15	-	-
Options exercised	(1,627)	81.70	-	-
Options outstanding at December 31	-	-	-	-
Options exercisable at December 31	-	-	-	-

(c) The fair value of stock options on the grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Weighted-average stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected vesting period (in dollars)	Risk-free interest rate	Fair value per share (in dollars)
Treasury stock transferred to employees	2017.2.21	$ 93.40	$ 89.15	27.14	0.11	0.11%	$ 5.80

(d) The compensation cost recognised at the grant date was $9,436 and returned the stocks to employees from treasury stock depository account at December 28, 2017.

(14) Share capital

A. As of December 31, 2017, the Company's authorized capital was $3,600,000 (including 20,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was $3,179,912, consisting of 317,991 thousand shares of ordinary stock, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows: (Shares in thousands)

	2017	2016
At January 1	279,112	273,432
Employee stock options exercised	1,752	4,846
Capitalization of capital reserve	14,409	12,675
Conversion of convertible bonds	18,969	8,159
Buyback of treasury stock	(6,627)	(20,000)
At December 31	307,615	279,112

B. The stockholders at their annual stockholders' meeting on June 22, 2017 adopted a resolution to increase capital through unappropriated retained earnings of $144,092. The effective date of the capital increase was on August 9, 2017. This issuance was approved by the Financial Supervisory Commission, Executive Yuan and registered with the relevant Authority.

C. The stockholders at their annual stockholders' meeting on June 28, 2016 adopted a resolution to increase capital through capital surplus of $126,748. The effective date of capital increase was on September 14, 2016. This issuance was approved by the Financial Supervisory Commission, Executive Yuan and registered with the relevant Authority.

D. The Company issued common stocks in the amount of $1,250 for the exercise of employee stock options in 2017, and the registration had been completed.

E. The Company issued common stock in the amount of $2,950 for the exercise of employee stock options in 2016 and the registration has been completed.

F. Convertible bonds in the amount of $43,526 were converted from convertible bonds in 2017. Those shares had been registered with the relevant Authority.

G. Convertible bonds in the amount of $81,517 were requested to convert to common stocks in 2016. As of December 31, 2016, stock capital collected in advance amounting to $4,281 had not been registered with the relevant Authority.

H. Treasury shares

(a)Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2017	
Name of company holding the shares	Reason for reacquisition	Number of shares in thousands	Carrying amount
The Company	For conversion of equity	10,376	$ 972,002

		December 31, 2016	
Name of company holding the shares	Reason for reacquisition	Number of shares in thousands	Carrying amount
The Company	For conversion of equity	19,993	$ 1,440,297

(b)Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c)Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d)Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees or be distributed for equity transfer within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(e)On August 6, 2015, the Board of Directors resolved to repurchase 10 million shares of the Company and transferred to employees, all the procedures were in line with related regulations. As of December 31, 2017, the Company repurchased 4,551 thousand shares and reissued 4,551 shares to the employees.

(f)On December 24, 2015, the Board of Directors resolved to repurchase 20 million shares of the Company and transferred the shares to employees, all the procedures were in line with related regulations. In addition, on February 16, 2016, the Board of Directors resolved to change its motivation of repurchasing treasury shares so that the Company distributed treasury shares for equity transfer, as of December 31, 2017, the Company repurchased 20 million shares, including 14,624 thousand shares were distributed for equity transfer.

(g)The shares which were repurchased by the Company and transferred to employees amounted to 9 million shares in accordance with related regulations, and as resolved by the Board of Directors on December 20, 2016. As of December 31, 2017, the Company has repurchased the Company's shares and transferred to employees in the amount of 1,627 thousand shares.

(h)To maintain the Company's credit and the stockholders' equity, the Board of Directors during their meeting resolved to repurchase the Company's shares in the amount of 5 million shares that in accordance with related regulations on November 1, 2017. In addition, the Board of Directors resolved to change the purpose of repurchased shares for equity transfer on December 21, 2017. As of December 31, 2017, the Company has repurchased its own shares in the amount of 5 million shares.

(I)Information on treasury shares reissued to employees is provided in Note 6(13).

(15) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2017				
	Share premium	Treasury share transactions	Employee restricted shares	Stock options	Total
At January 1, 2017	$ 4,259,077	$ 194,910	$ 9,536	$ 41,313	$ 4,504,836
Employee stock options exercised	3,293	(3,076)	(10,835)	-	(10,618)
Capitalisation of capital surplus	(144,092)	-	-	-	(144,092)
Capital surplus used to issue cash to shareholders	(576,370)	-	-	-	(576,370)
Share-based payment transactions	-	-	9,436	-	9,436
Conversion option of convertible bonds	239,766	(3,211)	-	(29,504)	207,051
At December 31, 2017	$ 3,781,674	$ 188,623	$ 8,137	$ 11,809	$ 3,990,243

	2016				
	Share premium	Treasury share transactions	Employee restricted shares	Stock options	Total
At January 1, 2016	$ 4,434,520	$ 166,338	$ 90,558	$ 17,891	$ 4,709,307
Employee stock options exercised	2,493	28,573	(81,022)	-	(49,956)
Capitalisation of capital surplus	(126,748)	-	-	-	(126,748)
Capital surplus used to issue cash to shareholders	(506,993)	-	-	-	(506,993)
Conversion option of convertible bonds	455,805	(1)	-	23,422	479,226
At December 31, 2016	$ 4,259,077	$ 194,910	$ 9,536	$ 41,313	$ 4,504,836

B. For details of capital reserve from stock options, please refer to Note 6(11).

(16) Retained earnings

A. Pursuant to the R.O.C. Company Law, the annual net income should be used initially to cover any accumulated deficit; thereafter 10% of the annual net income should be set aside as legal reserve until the balance of legal reserve is equal to that of issued share capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stock, or distribute cash to shareholders in proportion to their share ownership. The use of legal reserve of the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and the 10% of the appropriated as special reserve pursuant to Article 41 of Securities and Exchange Law. The remaining income and prior years' unappropriated retained earnings shall be distributed in accordance with the appropriation proposed by the Board of Directors based on the financial position and economic development of 2017 and shall be resolved by the stockholders.

C. The appropriation of earnings should be resolved by the stockholders. Cash dividends shall not be less than 5% of the total dividends distributed. However, if cash dividends per share are less than $0.1, the Company may decide not to distribute cash dividends but to distribute stock dividends instead. If there is accumulated deficit from previous or current year, special reserve should be set aside from previous unappropriated earnings before appropriation of earnings.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. The Company resolved that total dividends for the distribution of earnings for 2016 was $633,742 ($2.5 (in dollars) per share). On June 22, 2017, the shareholders resolved that total dividends for the distribution of earnings for 2016 was $720,462 ($2.5 (in dollars) per share).

(17) Other equity items

	2017		
	Available-for-sale investment	Currency translation	Total
At January 1	$ 58,616	($ 132,038)	($ 73,422)
Revaluation	(42,116)	-	(42,116)
Currency translation differences:			
–Group	-	(96,716)	(96,716)
At December 31	$ 16,500	($ 228,754)	($ 212,254)

	2016		
	Available-for-sale investment	Currency translation	Total
At January 1	$ -	$ 181,316	$ 181,316
Revaluation	58,616	-	58,616
Currency translation differences:			
–Group	-	(313,354)	(313,354)
At December 31	$ 58,616	($ 132,038)	($ 73,422)

(18) Other income

	Year ended December 31, 2017	Year ended December 31, 2016
Other revenues	$ 145,186	$ 51,447
Rent income	11,081	4,140
Dividend income	13,031	-
Interest income:		
Interest income from bank deposits	81,654	82,620
Other interest income	15,869	5,681
	$ 266,821	$ 143,888

(19) Other gains and losses

	Year ended December 31, 2017	Year ended December 31, 2016
Net (loss) gain on financial assets/ liabilities at fair value through profit or loss	($ 10,512)	$ 9,156
Net currency exchange loss	(274,140)	(201,889)
Loss on disposal of property, plant and equipment	(61,224)	(4,137)
Gains on disposal of investments	51,685	-
Others	(40,453)	(6,547)
	($ 334,644)	($ 203,417)

(20) Finance costs

	Year ended December 31, 2017	Year ended December 31, 2016
Interest expense:		
Convertible bonds	$ 15,560	$ 33,072
Imputed interest on deposits	36	-
Imputed interest on lease payable	661	-
	$ 16,257	$ 33,072

(21) Expenses by nature

	Year ended December 31, 2017	Year ended December 31, 2016
Employee benefit expense	$ 3,333,260	$ 2,529,707
Depreciation charge on property, plant and equipment	1,007,998	969,860
Depreciation charge on investment property	12,063	4,021
Amortisation on intangible assets	27,739	28,033

(22) Employee benefit expense

	Year ended December 31, 2017	Year ended December 31, 2016
Wages and salaries	$ 2,942,720	$ 2,173,663
Employee stock options	9,436	-
Labor and health insurance fees	114,828	99,378
Pension costs	122,814	127,999
Other personnel expenses	143,462	128,667
	$ 3,333,260	$ 2,529,707

A. A ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 2% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at $93,000 and $73,000, respectively; directors' and supervisors' remuneration was both accrued at $15,000. In 2017, the employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on certain proportion of distributable profit of current year as of the end of reporting period. Employees' compensation and directors' and supervisors' remuneration of 2016 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2016 financial statements. Information about employees' compensation and directors' and supervisors' remuneration of the Company resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense

Components of income tax expense:

	Year ended December 31, 2017	Year ended December 31, 2016
Current tax on profits for the year	$ 662,917	$ 416,218
Tax on undistributed earnings	132,335	184,916
Over estimation of prior year's income tax	(119,587)	(63,271)
Total current tax	675,665	537,863
Deferred tax:		
Origination and reversal of temporary differences	144,285	146,707
Total deferred tax	144,285	146,707
Income tax expense	$ 819,950	$ 684,570

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2017	Year ended December 31, 2016
Tax calculated based on profit before tax and statutory tax rate	$ 788,903	$ 618,925
Effect from items adjusted in accordance with tax regulation	18,299	(56,000)
Tax on undistributed earnings	132,335	184,916
Over estimation of prior year's income tax	(119,587)	(63,271)
Income tax expense	$ 819,950	$ 684,570

Note：The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2017				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Temporary differences:					
—Deferred tax assets:					
Allowance for sales returns and discounts	$ 7,303	($ 3,723)	$ -	$ -	$ 3,580
Allowance for obsolescence and decline in market value of inventories	2,323	18,415	-	-	20,738
Unrealised gross profit	13,965	5,166	-	-	19,131
Unrealised compensated absences	1,305	1,276	-	-	2,581
Cost of bond issuance	838	(532)	-	-	306
Unrealized exchange loss	50,714	(50,714)	-	-	-
Unrealised estimated expense	-	2,532	-	-	2,532
Others	43	(21)	-	-	22
	76,491	(27,601)	-	-	48,890
—Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	(466,390)	(129,653)	-	-	(596,043)
Pension expense	(894)	(230)	-	-	(1,124)
Unrealised exchange gain	(12,729)	12,269	-	-	(460)
Unrealised estimated expense	(930)	930	-	-	-
	(480,943)	(116,684)	-	-	(597,627)
	($ 404,452)	($ 144,285)	$ -	$ -	($ 548,737)

	Year ended December 31, 2016				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	December 31
Temporary differences:					
－Deferred tax assets:					
Allowance for sales returns and discounts	$ 16,101	($ 8,798)	$ -	$ -	$ 7,303
Allowance for obsolescence and decline in market value of inventories	5,146	(2,823)	-	-	2,323
Unrealised gross profit	65,957	(51,992)	-	-	13,965
Unrealised compensated absences	1,294	11	-	-	1,305
Cost of bond issuance	471	367	-	-	838
Unrealised exchange loss	35,609	15,105	-	-	50,714
Others	-	43	-	-	43
	124,578	(48,087)	-	-	76,491
－Deferred tax liabilities:					
Gain on foreign investment accounted for under equity method	(381,651)	(84,739)	-	-	(466,390)
Pension expense	(660)	(234)	-	-	(894)
Unrealized exchange gain	-	(12,729)	-	-	(12,729)
Unrealised estimated expense	-	(930)	-	-	(930)
Others	(12)	12	-	-	-
	(382,323)	(98,620)	-	-	(480,943)
	($ 257,745)	($ 146,707)	$ -	$ -	($ 404,452)

D. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority and there were no disputes existing between the Company and the Tax Authority.

E. Unappropriated retained earnings:

	December 31, 2017	December 31, 2016
Earnings generated in and after 1998	$ 10,476,420	$ 8,372,889

F. As of December 31, 2016, the balance of the imputation tax credit account was $1,508,092. The creditable tax rate was 21.43% for the year ended December 31, 2016.

The imputation system is abolished and became effective retrospectively on January 1, 2018, by virtue of the amendment to Income Tax Act which was promulgated by the president on February 7, 2018.

(24) Earnings per share

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,056,836	303,555	$ 10.07
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,056,836	303,555	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	616	
Employees' compensation	-	1,067	
Convertible bonds	12,915	14,577	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,069,751	319,815	$ 9.60

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 2,275,180	284,605	$ 7.99
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 2,275,180	284,605	
Assumed conversion of all dilutive potential ordinary shares			
Employees' stock options	-	986	
Employees' compensation	-	981	
Convertible bonds	16,724	34,666	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 2,291,904	321,238	$ 7.13

The above weighted-average outstanding common shares have been adjusted for capitalization of capital reserve in 2016 retroactively.

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Year ended December 31, 2017	Year ended December 31, 2016
Purchase of property, plant and equipment (including prepayments for business facilities)	$ 2,475,191	$ 1,065,545
Add: opening balance of payable on equipment	267,074	187,829
Less: ending balance of payable on equipment	(1,000,496)	(267,074)
Cash paid during the year	$ 1,741,769	$ 986,300

B. Financing activities with no cash flow effects:

	Year ended December 31, 2017	Year ended December 31, 2016
Convertible bonds being converted to capital stocks and capital surplus	$ 1,299,341	$ 529,777

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Year ended December 31, 2017	Year ended December 31, 2016
Short-term employee benefits	$ 65,510	$ 68,434
Post-employment benefits	175	168
Share-based payments	4,640	-
	$ 70,325	$ 68,602

8. PLEDGED ASSETS

None.

9. COMMITMENTS AND CONTINGENT LIABILITIES

(1) As of December 31, 2017 and 2016, the Group issued promissory notes amounting to $1,070,463 and $1,090,223 for loans, sales on credit and forward exchange contracts, respectively.

(2) As of December 31, 2017 and 2016, total unused letters of credit for the import of machinery and equipment was $22,628 and $0, respectively.

(3) As of December 31, 2017 and 2016, the Group entered into several contracts for construction and acquisition of machinery with total values of $626,658 and $746,012, respectively, and the unpaid balance on these contracts amounted to $289,884 and $407,761, respectively.

10. SIGNIFICANT CATASTROPHE

None.

11. SUBSEQUENT EVENTS

(1) The amendment to Income Tax Act was promulgated by the President of the Republic of China on February 7, 2018 raising the profit-seeking enterprise income tax rate will be raised from 17% to 20%. This will increase the Company's deferred tax assets and deferred tax liabilities, as of December 31, 2017, by $8,628 and $105,464, respectively.

(2) The proposal in relation to the issuance of the third unsecured overseas convertible bonds of US$120,000 thousand with 0% coupon rate and three-year maturity was approved by the Board of Directors on February 7, 2018.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Total debt is calculated as 'current and non-current liabilities' as shown in the consolidated balance sheet.

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain the balance of the capital structure. The gearing ratio at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 12,865,825	$ 7,986,663
Total assets	$ 30,726,233	$ 23,516,565
Gearing ratio	42	34

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current financial assets, other non-current financial assets, refundable deposits (shown under "other non-current assets, other"), accounts payable, other payables, bonds payable and guarantee deposits received (shown under "other non-current liabilities")) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Note 6(2)).

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

A. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

B. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

C. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2017					
	Foreign currency			Sensitivity analysis		
	amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 364,996	29.8480	$ 10,894,401	1%	$ 108,944	$ -
USD:RMB	231,360	4.5680	6,905,633	1%	69,056	-
Long-term equity investments accounted for under equity method						
USD:NTD	181,141	29.8480	5,406,707	-	-	-
Financial liabilities						
Monetary items						
USD:NTD	253,209	29.8480	7,557,782	1%	(75,578)	-
USD:RMB	234,919	4.5680	7,011,862	1%	(70,119)	-

	December 31, 2016					
	Foreign currency			Sensitivity analysis		
	amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 256,462	32.2790	$ 8,278,337	1%	$ 82,783	$ -
USD:RMB	108,934	4.6532	3,516,281	1%	35,163	-
Long-term equity investments accounted for under equity method						
USD:NTD	129,035	32.2790	4,165,120	-	-	-
Financial liabilities						
Monetary items						
USD:NTD	113,282	32.2790	3,656,630	1%	(36,566)	-
USD:RMB	107,634	4.6532	3,474,318	1%	(34,743)	-

D.The total exchange loss, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2017 and 2016 amounted to $274,140 and $201,889, respectively.

Interest rate risk

The Group's issued zero coupon liability financial instruments with embedded conversion options and call options. The fair value of the financial instrument is exposed under the risk of market fluctuation. There was no cash flow risk arising from significant changes in interest rate after assessment.

Price risk

The Group's investment in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. However, the Group has set up stop-loss point for those instruments. Therefore, the Group does not expect to be exposed to material market risk.

(b)Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposures to customers, including outstanding receivables.

ii. No credit limits were exceeded during the reporting periods, and the counterparties have good credit rating. Thus, management does not expect any significant losses from non-performance by these counterparties.

iii.Please refer to Note 6(4) for credit quality information on financial assets that are neither past due nor impaired and analysis on financial assets that are past due but not impaired.

(c)Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

ii.Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, bonds with resale agreement, structured certificates of deposit and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. As at December 31, 2017 and 2016, the Group held money market position of $10,588,959 and $11,444,235, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2017	Less than 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:			
Accounts payable	$ 7,396,853	$ -	$ -
Other payables	3,607,951	-	-
Bonds payable	535,982	-	-

December 31, 2016	Less than 1 year	Between 1 and 2 years	Over 2 years
Non-derivative financial liabilities:			
Accounts payable	$ 3,431,568	$ -	$ -
Other payables	1,711,281	-	-
Bonds payable	242,585	1,620,915	-

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(7).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1:Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and derivative instruments with quoted market prices is included in Level 1.

Level 2:Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in certain derivative instruments is included in Level 2.

Level 3:Unobservable inputs for the asset or liability.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2017 and 2016 is as follows:

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss equity securities	$ 22,365	$ -	$ -	$ 22,365
Financial assets designated as at fair value through profit or loss Structured certificates of deposit	-	1,598,788	-	1,598,788
Available-for-sale financial assets equity securities	43,211	-	-	43,211
	$ 65,576	$ 1,598,788	$ -	$ 1,664,364

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss equity securities	$ 39,804	$ -	$ -	$ 39,804
Available-for-sale financial assets equity securities	174,612	-	-	174,612
	$ 214,416	$ -	$ -	$ 214,416

D. The methods and assumptions the Group used to measure fair value are as follows:

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

(b)The assessment of structured certificates of deposit is calculated based on the product revenue that is provided by counterparties.

E. For the years ended December 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2017 and 2016, there was no transfer into or out from Level 3.

G. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

The Group operates business in manufacturing and sale of flexible PCBs. The Company allocates resources and assesses performance of the Group as a whole, and has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Group evaluates the performances of the operating segments based on their net income (loss).

(3) Information about segment profit or loss, assets and liabilities

The segment information is provided to the Chief Operating Decision-Maker for the reportable segments. Please refer to the balance sheet and statement of comprehensive income.

(4) Reconciliation for segment income (loss)

The revenue from customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. The amounts provided to the Chief Operating Decision-Maker with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

(5) Information on products and services

Revenue from external customers is mainly from sales of flexible printed circuit boards and related raw materials and supplies.

(6) Revenue information by geographic areas

Revenue information by geographic areas of the Group for 2017 and 2016 is shown below:

	Years ended December 31,			
	2017		2016	
	Revenue	Non-Current Assets	Revenue	Non-Current Assets
Taiwan	$ 1,686,990	$ 3,014,150	$ 1,041,557	$ 1,576,705
China	7,810,246	3,693,972	4,271,451	4,295,199
Other areas of Asia	1,454,059	-	2,378,220	-
Europe	14,895,108	60	11,405,055	201
	$ 25,846,403	$ 6,708,182	$ 19,096,283	$ 5,872,105

Revenue recognition is based on clients' geographic locations and non-current assets are classified based on their locations.

(7) Information on major customers

Information on major customers of the Group for 2017 and 2016 is shown below:

	Year ended December 31, 2017		Year ended December 31, 2016
Customer	Revenue	Customer	Revenue
A	$ 14,718,449	A	$ 11,305,605

Flexium Interconnect Inc.

Loans to others

Year ended December 31, 2017

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account (Note 2)	Is a related party	Maximum outstanding balance during the year ended December 31, 2017 (Note 3)	Balance at December 31, 2017 (Note 9)	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 7)	Ceiling on total loans granted (Note 8)	Footnote
0	FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Other receivables - related parties	Yes	$ 1,692,754	$ 846,377	$ -	1.1	Note 4	$ -	Company operation	$ -	-	$ -	$ 1,786,041	$ 7,144,163	-
0	FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Other receivables - related parties	Yes	3,385,509	1,692,754	-	1.1	Note 5	13,499,340	Purchasing and selling amount	-	-	-	3,572,082	7,144,163	-
0	FLEXIUM INTERCONNECT INC.	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Other receivables - related parties	Yes	846,377	846,377	-	1.1	Note 4	-	Company operation	-	-	-	1,786,041	7,144,163	
1	GRANDPLUS ENTERPRISES LTD.	SUCCESS GLORY INVESTMENT LTD.	Other receivables - related	Yes	1,692,754	1,692,754	-	1.1	Note 4	-	Company operation	-	-	-	-	-	Note 10
2	SUCCESS GLORY INVESTMENT LTD.	FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	Other receivables - related parties	Yes	1,692,754	1,692,754	-	1.1	Note 4	-	Company operation	-	-	-	-	-	Note 10

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Fill in the name of account in which the loans are recognised, such as receivables associates, receivables–related parties, current account with stockholders, prepayments, temporary payments, etc.

Note 3: Fill in the maximum outstanding balance of loans to others for the year ended December 31, 2017.

Note 4: Fill in purpose of loan when nature of loan is for short-term financing.

Note 5: Fill in the amount of business transactions when nature of the loan is related to business transactions, which is the amount of business transactions occurred between the creditor and borrower in the current year.

Note 6: Fill in purpose of loan when nature of loan is for short-term financing, for example, repayment of loan, acquisition of equipment, working capital, etc.

Note 7: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a single party with business transactions is the higher value of purchasing and selling during current year on the year of financing and is 20% of the Company's net asset based on the latest audited or reviewed consolidated financial statements; limit on loans to a single party with short-term financing is 10% of the Company's net asset based on the latest audited or reviewed consolidated financial statements.

Note 8: In accordance with the Company's "Procedures for Provision of Loans", ceiling on total loans is 40% of the Company's net assets.

Note 9: Ending balance of loans at the balance sheet date is the limit approved by the Board of Directors.

Note 10: In accordance with the Company's "Procedures for Provision of Loans", limit on loans to a company of which the Company directly or indirectly holds 100% of its voting shares is not limited.

Flexium Interconnect Inc.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2017

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

				As of December 31, 2017				
Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
FLEXIUM INTERCONNECT INC.	CHANG WAH ELECTROMATERIALS INC.(Stock)	None.	Available-for-sale financial assets - current	300,074	$ 43,211	Note 5	$ 43,211	-
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	MYCENAX BIOTECH INC. (Stock)	None.	Financial assets at fair value through profit or loss - current	374,000	9,855	Note 5	9,855	-
FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	MEDEON BIODESIGN, INC. (Stock)	None.	Financial assets at fair value through profit or loss - current	150,000	12,510	Note 5	12,510	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IAS 39 "Financial Instruments: Recognition and Measurement."

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Note 5: Not applicable since the percentage of ownership is less than 5%.

Flexium Interconnect Inc.
Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital
Year ended December 31, 2017

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities (Note 1)	General ledger account	Counterparty (Note 2)	Relationship with the investor (Note 2)	Balance as at January 1, 2017		Addition (Note 3、6)		Disposal (Note 3)				Balance as at December 31, 2017	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
FLEXIUM INTERCONNECT INC.	Proceeds from issuing shares	Investments accounted for under equity method	BOOM BUSINESS LIMITED	Subsidiary	-	$ -	20,000,000	$ 606,024	-	$ -	$ -	$ -	20,000,000	$ 606,024
BOOM BUSINESS LIMITED	Proceeds from issuing shares	Investments accounted for under equity method	CLEAR SUCCESS GLOBAL LIMITED	Subsidiary	-	-	20,000,000	606,024	-	-	-	-	20,000,000	606,024
CLEAR SUCCESS GLOBAL LIMITED	Proceeds from issuing shares	Investments accounted for under equity method	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Subsidiary	-	-	Note 5	606,024	-	-	-	-	Note 5	606,024

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Fill in the columns the counterparty and relationship if securities are accounted for under the equity method; otherwise leave the columns blank.
Note 3: Aggregate purchases and sales amounts should be calculated separately at their market values to verify whether they individually reach NT$300 million or 20% of paid-in capital or more.
Note 4: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.
Note 5: It is not applicable for Flexium Technology (Suzhou) Incorporation because it is a limited company.
Note 6: The amount includes capital increase for the year, share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method as well as exchange differences on translation of foreign financial statements.

Flexium Interconnect Inc.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2017

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Sales	($ 3,168,963)	12	180 days	Note 1	Note 1	$ 1,838,631	19	Note 8
GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	The Company	Purchases	3,168,963	13	180 days	Note 1	Note 1	(1,838,631)	21	Note 8
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Subsidiary	Sales	(3,168,963)	13	180 days	Note 3	Note 3	1,838,631	21	Note 8
CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Purchases	3,168,963	23	180 days	Note 3	Note 3	(1,838,631)	31	Note 8
CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Sales	(3,168,963)	23	180 days	Note 4	Note 4	1,838,631	31	Note 8
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	Subsidiary	Purchases	3,168,963	16	180 days	Note 4	Note 4	(1,838,631)	22	Note 8
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	Subsidiary	Sales	(10,352,022)	46	90 days	Note 5	Note 5	4,007,142	58	Note 8
CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Purchases	10,352,022	76	90 days	Note 5	Note 5	(4,007,142)	69	Note 8
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHOSEN GLORY LIMITED	Subsidiary	Sales	(11,684,059)	52	90 days	Note 5	Note 5	2,709,834	39	
CHOSEN GLORY LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Purchases	11,684,059	100	90 days	Note 5	Note 5	(2,709,834)	100	

Flexium Interconnect Inc.

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2017

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Sales	($ 10,352,022)	76	90 days	Note 6	Note 6	$ 4,007,142	69	Note 8
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Subsidiary	Purchases	10,352,022	41	90 days	Note 6	Note 6	(4,007,142)	47	Note 8
CHOSEN GLORY LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Sales	(11,684,059)	100	90 days	Note 7	Note 7	2,709,834	100	
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Subsidiary	Purchases	11,684,059	46	90 days	Note 7	Note 7	(2,709,834)	32	
GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	The Company	Sales	(22,036,081)	87	90 days	Note 2	Note 2	6,716,976	79	Note 8
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Purchases	22,036,081	92	90 days	Note 2	Note 2	(6,716,976)	91	Note 8
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Sales	(442,811)	100	90 days	Note 9	Note 9	96,715	21	

Note 1: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 90~120 days after the end of each month.

Note 2: The transaction prices to related parties are similar with those to third parties. The collection periods to third parties are 60 to 90 days after the end of each month while those to related parties are 90 days after the end of each month.

Note 3: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 4: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 5: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED and CHOSEN GLORY LIMITED, and the collection period is approximately 90 days after the end of each month.

Note 6: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 7: The transaction is sales from CHOSEN GLORY LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 8: The purchase (sales) amount is contained the eliminates to sales revenue and operating costs (merchandise purchase) arising from raw material processing, which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN). The eliminated amount was 3,168,963 for 2017.

Note 9: The transaction is sales from FLEXIUM TECHNOLOGY(SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION, and the collection period is approximately 90 days after the end of each month.

Flexium Interconnect Inc.

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2017

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2017	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Accounts receivable $1,838,631	2.08	$ -	-	$ 537,264	$ -
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Subsidiary	Accounts receivable $1,838,631	2.08	-	-	537,264	-
CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Subsidiary	Accounts receivable $1,838,631	2.08	-	-	537,264	-
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	Subsidiary	Accounts receivable $4,007,142	3.58	-	-	1,432,704	-
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHOSEN GLORY LIMITED	Subsidiary	Accounts receivable $2,709,834	5.50	-	-	2,656,472	-
CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Accounts receivable $4,007,142	3.58	-	-	1,432,704	-
CHOSEN GLORY LIMITED	GRANDPLUS ENTERPRISES LTD.	Subsidiary	Accounts receivable $2,709,834	5.50	-	-	2,656,472	-
GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	The Company	Accounts receivable $6,716,976	4.39	-	-	4,089,176	-

Flexium Interconnect Inc.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2017

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	1	Sales	$ 3,168,963	Note 4	12
0	FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	1	Accounts receivable	1,838,631	Note 4	6
1	GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	3	Sales	3,168,963	Note 6	12
1	GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	3	Accounts receivable	1,838,631	Note 6	6
1	GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	2	Sales	22,036,081	Note 5	85
1	GRANDPLUS ENTERPRISES LTD.	FLEXIUM INTERCONNECT INC.	2	Accounts receivable	6,716,976	Note 5	22
2	CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	3,168,963	Note 7	12
2	CHAMPION BEYOND LIMITED	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Accounts receivable	1,838,631	Note 7	6
2	CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	3	Sales	10,352,022	Note 8	40
2	CHAMPION BEYOND LIMITED	GRANDPLUS ENTERPRISES LTD.	3	Accounts receivable	4,007,142	Note 8	13
3	CHOSEN GLORY LIMITED	GRANDPLUS ENTERPRISES LTD.	3	Sales	11,684,059	Note 9	45
3	CHOSEN GLORY LIMITED	GRANDPLUS ENTERPRISES LTD.	3	Accounts receivable	2,709,834	Note 9	9
4	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	3	Sales	10,352,022	Note 10	40
4	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHAMPION BEYOND LIMITED	3	Accounts receivable	4,007,142	Note 10	13
4	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHOSEN GLORY LIMITED	3	Sales	11,684,059	Note 10	45
4	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	CHOSEN GLORY LIMITED	3	Accounts receivable	2,709,834	Note 10	9
5	FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	3	Sales	442,811	Note 11	2

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Note 2: Relationship between transaction company and counterparty is classified into the following three categories (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: In the sales to related parties, the price of work in progress is based on mutual agreement. The price cannot be compared with regular sales due to a lack of similar counterparties. The price of materials and supplies is determined by adding the margin to the cost. The collection period to third parties is approximately 180 days after the end of each month while those to related parties are 90~120 days after the end of each month.

Note 5: The processing prices were determined in accordance with mutual agreements. The collection period to third parties is 60 to 90 days after the end of each month while those to related parties is 90 days after the end of each month.

Note 6: The transaction is sales from GRANDPLUS ENTERPRISES LTD. to CHAMPION BEYOND LIMITED, and the collection period is approximately 180 days after the end of each month.

Note 7: The transaction is sales from CHAMPION BEYOND LIMITED to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the collection period is approximately 180 days after the end of each month.

Note 8: The transaction is sales from CHAMPION BEYOND LIMITED to GRANDPLUS ENTERPRISES LTD., and the collection period is approximately 90 days after the end of each month.

Note 9: The transaction is sales from CHOSEN GLORY LIMITED to GRANDPLUS ENTERPRISES LTD., and the credit term is approximately 90 days after the end of each month.

Note 10: The transaction is sales from FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION to CHAMPION BEYOND LIMITED and CHOSEN GLORY LIMITED, and the collection period is approximately 90 days after the end of each month.

Note 11: The transaction is sales from FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION to FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION, and the credit term is approximately 90 days after the end of each month.

Flexium Interconnect Inc.
Information on investees
Year ended December 31, 2017

Table 7

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee (Notes 1 and 2)	Location	Main business activities	Initial investment amount: Balance as at December 31, 2017	Initial investment amount: Balance as at December 31, 2016	Shares held as at December 31, 2017: Number of shares	Shares held as at December 31, 2017: Ownership (%)	Shares held as at December 31, 2017: Book value	Net profit (loss) of the investee for the year ended December 31, 2017 (Note 2(2))	Investment income(loss) recognised by the Company for the year ended December 31, 2017 (Note 2(3))	Footnote
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INC.	British Virgin Islands	General investments	$ 975,567	$ 975,567	31,173,060	100	$ 3,295,357	$ 637,574	$ 557,611	
FLEXIUM INTERCONNECT INC.	UFLEX TECHNOLOGY CO., LTD.	British Virgin Islands	General investments	468,199	468,199	15,849,299	100	1,484,371	222,297	194,362	
FLEXIUM INTERCONNECT INC.	FLEXIUM INTERCONNECT INVESTMENT CO., LTD.	Taiwan	General investments	50,000	50,000	5,000,000	100	28,193	(13,572)	(13,572)	
FLEXIUM INTERCONNECT INC.	BOOM BUSINESS LIMITED	Samoa	General investments	606,024	-	20,000,000		626,979	10,690	10,690	
FLEXIUM INTERCONNECT INC.	GRANDPLUS ENTERPRISES LTD.	Samoa	General investments	62,001	62,001	1,880,578	100	388	(58)	(58)	
FLEXIUM INTERCONNECT INC.	SUCCESS GLORY INVESTMENTS LTD.	Samoa	General investments	859,357	859,357	28,010,000	100	3,549,061	641,199	641,199	
UFLEX TECHNOLOGY CO., LTD.	FLEXIUM INTERCONNECT AMERICA LLC.	U.S.A	Marketing, customer support and supporting technical services	7,282	7,282	-	100	6,311	(982)	(982)	
GRANDPLUS ENTERPRISES LTD.	CHOSEN GLORY LIMITED	Samoa	General investments	-	-	-	100	-	-	-	
GRANDPLUS ENTERPRISES LTD.	CHAMPION BEYOND LIMITED	Samoa	General investments	-	-	-	100	22	22	22	
GRANDPLUS ENTERPRISES LTD.	FOREVER MASTER LIMITED	Samoa	General investments	-	-	-	100	8	8	8	
BOOM BUSINESS LIMITED	CLEAR SUCCESS GLOBAL LIMITED	Samoa	General investments	606,024	-	20,000,000	100	626,979	10,690	10,690	

Note 1: If a public company is equipped with an overseas holding company and takes the consolidated financial report as the main financial report according to the local laws, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of "Investee", "Location", "Main business activities", "Initial investment amount" and "Shares held as at December 31, 2017" should fill orderly in the Company' s (public company's) information on investees and every directly or indirectly controlled investees' investment information, and note the relationship between the Company (public company) and its investee each (ex. Direct subsidiary or indirect subsidiary) in the "Footnote" column.

(2) The "Net profit (loss) of the investee for the year ended December 31, 2017" column should fill in amount of net profit (loss) of the investee for this period.

(3) The "Investment income (loss) recognised by the Company for the year ended December 31, 2017" column should fill in the Company (public company) recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this period. When filling in recognised investment income (loss) of its direct subsidiary, the Company (public company) should confirm that direct subsidiary's net profit (loss) for this period has included its investment income (loss) which shall be recognised by regulations.

Note 3: Investment income (loss) recognised by the Company for the year ended December 31, 2017 included elimination of unrealised gain (loss).

Flexium Interconnect Inc.

Information on investments in Mainland China

Year ended December 31, 2017

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2017: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Net income of investee as of December 31, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2017	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2017	Footnote
FLEXIUM INTERCONNECT(KUNSHAN) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	$ 946, 506	2	$ 1, 308, 805	$ -	$ -	$ 1, 308, 805	$ 858, 943	100	$ 858, 943	$ 5, 108, 306	$ -	Note 2、4
FLEXIUM TECHNOLOGY (SUZHOU) INCORPORATION	Research, development, manufacture and sale of new-type electronic components and devices such as flexible printed circuit boards.	596, 960	2	-	596, 960	-	596, 960	10, 690	100	10, 690	626, 979	-	Note 2、5

Note 1: Investment methods are classified into following three categories:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others.

Note 2: The financial statements are audited and attested by R.O.C. parent company's CPA.

Note 3: The numbers in this table are expressed in New Taiwan Dollars. Translated at exchanges rate of NT$29.848 US$1.00.

Note 4: The Group invested in the company through FLEXIUM INTERCONNECT INC., SUCCESS GLORY INVESTMENTS LTD., and UFLEX TECHNOLOGY CO.,LTD.

Note 5: The Group invested in the compnay through BOOM BUSINESS LIMITED and CLEAR SUCCESS GLOBAL LIMITED.

Flexium Interconnect Inc.

Information on investments in Mainland China

Year ended December 31, 2017

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2017	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
FLEXIUM INTERCONNECT INC.	$ 1,905,765	$ 2,256,843	$ -

Note: In accordance with 'Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China' amended by Ministry of Economic Affairs effective on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Flexium Interconnect Inc.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2017

Table 9

Expressed in thousands of NTD

(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others	
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2017	%	Balance at December 31, 2017	Purpose	Maximum balance during the year ended December 31, 2017	Balance at December 31, 2017	Interest rate	Interest during the year ended December 31, 2017		
FLEXIUM INTERCONNECT (KUNSHAN) INCORPORATION	($ 22,036,081)	92	$ -	-	($ 6,716,976)	91	$ -	-	$ -	$ -	-	$ -	Other expenses	76,324
	3,168,963	12			1,838,631	19							Other receivables	106,654
													Other payables	31,559

Note: The Company has reversed the sales revenue and operating cost (merchandise purchase) arising from raw material processing which are provided by the Company through the offshore company that is in the third place to the subsidiary, FLEXIUM INTERCONNECT(KUNSHAN), when preparing the financial statements. The eliminated amount for the year ended December 31, 2017 was $3,168,963.