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ONE. Report to Shareholders

I. 2016 Operation in review

In 2016, the Company had revenues of NTD3,697,479 thousand, an increase of NTD560,792 thousand from the same period of 2015 or at a growth rate of 18%. Gross profit in 2016 amounted to NTD1,234,498 thousand, an increase of NTD327,367 thousand from the same period of 2015 or at a growth rate of 36%.

The main cause of the increase in operating expenses was the holding of the newly acquired subsidiaries in the whole period, which resulted in an operating expense of NTD1,088,010 thousand, an increase of NTD113,936 thousand from the same period of 2015. For this reason, the operating income for 2016 amounted to NTD146,488 thousand or an increase of approximately NTD 213,431 thousand from the same period of 2015. Also, the exchange rate widely fluctuated in 2016, which resulted in the recognition of foreign exchange loss that trimmed off non-operating income. Earnings before taxation of the Company in 2016 amounted to NTD140,047 thousand, which indicated an increase from the level in the same period of 2015.

1. Business Results

Consolidated financial statements of the Company

Unit: NTD1,000

	2016		2015		Change	
	Amount	%	Amount	%	Amount	%
Net sales	3,697,479	100	3,136,687	100	560,792	18
Gross margin	1,234,498	33	907,131	29	327,367	36
Operating expenses	1,088,010	29	974,074	31	113,936	12
Operating income (loss)	146,488	4	(66,943)	(2)	213,431	319
Non-operating income (loss) – net	(6,441)	0	23,805	1	(30,246)	(127)
Earnings (loss) before taxation	140,047	4	(43,138)	(1)	183,185	425
Corporate earnings (loss) in current period	97,025	3	(42,090)	(1)	139,115	331
Attributable to shareholders of the parent company	98,616	3	(41,201)	(1)	139,817	339

2. Analysis of Financial Structure and Profitability

Unit: NTD 1,000

Item			2016	2015
Financial structure	Net sales		146,488	(66,943)
	Non-operating income (loss)- net		(6,441)	23,805
	Earnings before taxation		140,047	(43,138)
	Corporate earnings in current period		97,025	(42,090)
Profitability	ROA%		2.55	(0.49)
	ROE %		4.21	(1.95)
	In proportion to paid-in capital	Operating income	8.14	(3.72)
		Earnings before taxation	7.78	(2.40)
	Net profit rate%		2.62	(1.34)
	Earnings per share/NTD		0.56	(0.24)

3. R&D findings

R&D projects accomplished in 2016 are shown below:

- (1). Development of shuttle light duty processing machine
- (2). Development of PTP3012 drilling machine
- (3). Development of G448 machine
- (4). Development of SpectraPlus core winder
- (5). Development of Multiple-layer aluminum cutter
- (6). Development of KS4600 welting machine
- (7). Development of HSK63FDC principal axis
- (8). Development of HSK40EDC principal axis
- (9). Development of HSK50EAC principal axis
- (10). Development of the new version of SoCJetting main board

II. Production and sale policy and business objectives in 2017

1. Precision machinery

The enhancement of the precision for the five-axis linkage machinery in 2017 and the change in product design for getting closer to market needs allowed for the smooth launch of the technology onto application markets such as aeronautics, defense, yachting, composite materials, and wood works. A professional team will be assigned to this area in 2017 for further development of the five-axis product in depth and wider scope of application.

In the aspect of channeling, the augmentation of the furniture market in Mainland China is echoed with the ceaseless development of new industries, that contributed incrementally to the formation of a board market. The Company will assign a sales and service team to selected locations for quick response to market needs and is seeking regional distributors in good standing for development of the product lines in the next year. Likewise, the production of products that fit the market needs in the market of China will be relocated from Houlong to Zhongde. In the Australian market, product differentiation will be the gravity of work with the addition of new functions to existing product lines and making operation of the products more convenient, complete, and integral for the users. In addition, new products will be developed to satisfy market needs. In the USA, further effort will be made to reinforce and expand in the markets of wood and composite materials with the setup of a service team and distributors. The specifications of products will also be adjusted to aim at stable quality in production, short delivery lead-time, and quick response in service.

In 2016, 627 units of CNC precision processing centers were sold. It is expected that 724 units of this item will be sold in 2017 or at the growth rate of 15%.

2. Electronic Machine Plant (Sogotec)

The prime operation objective of the Company in 2017 is the development of a wider array of products and markets. Further to maintaining the market share of drilling/forming machines, the Company also plans to extend to the automation of conventional industries. In responding to the hot topic of industry 4.0, the Company will take automation of conventional industries as the driving force to provide a solution for customers in dealing with the problem of high cost and labor shortage.

The development of products featuring new applications of laser technology will include the continued promotion of UV soft panel laser drilling machines and also different applications of laser technology in automation. In addition, the Company also seeks to develop multiple-function laser cutters for horizontal development of a whole laser product line.

Another integral part of its production and sales policy is cross-industry alliance and ODM outsourcing, which will remain a vital task in 2017. Further to the manufacturing of high precision professional machinery platforms in other countries, the Company will seek to work with big international firms for OEM orders.

In 2016, 226 units of electronic machines were sold. It is expected that 310 units will be sold in 2017 or at the growth rate of 37%.

3. Inkjet Printing Machine Plant

The Company will continue the success of the latest KonicaMinolta jet nozzle introduced last year to the product line with in-depth product differentiation and segmentation. The low cost high quality models for small scale operation will be advanced to high price-performance ratio models for intermediate production capacity. This will be the main product line in the two years ahead. Likewise, the models used in high-speed mass production of big enterprises will be matched with and linked to automation of production which pushes the performance of the high-speed mass production models to its entirety in production capacity.

For sales in Mainland China, the objective will be the engagement in a joint venture with the biggest marketing channels of China in wood working equipment, “Homag China Golden Field Limited” in 2017. In so doing, the application technology and equipment which has been deeply cultivated by the Company will be integrated with the business locations, channels and exhibition centers of Homag and target full-range cooperation for developing the big market of work furniture in China.

While developing the matching of high-speed models and automation equipment, the Company also will explore the specifications of the SinglePass application machinery for the wood industry in the future. The primary goal will be panel sealing digital inkjet printing, which is based on the success of the Hybrid model used by customers in glass inkjet printing for replication to other related customers. In addition, the shoe making industry in Taiwan will not be neglected (most of the firms are in Taiwan). The Hybrid model on inventory will be digested by appropriate industries.

In 2016, 30 units of inkjet printing machines were sold. It is expected that 88 units will be sold in 2017 or at the growth rate of 193%.

III. The effect of an external competitive environment, legal environment, and operation environment.

1. 2017 will still be clouded by the uncertainties carried forward from 2016, which include Brexit, the new government in the USA and in Taiwan. These will increase the operation risk of the Company.
2. The economic cycle changed very quickly and purchase orders tended to be big with very short delivery lead-time. This will be a challenge to the supply chain management capacity and production adjustment capacity of the firms. Accordingly, inventory management becomes more difficult.
3. Due to the competitive nature and business practice for some products, it usually takes time to settle the accounts. In turn, the pressure of funds appropriation will be intensified.

IV. Development strategy in the future

1. Improvement of existing models for quality upgrades.
2. Development of human resources for international marketing and technical service teams for development of channels in the newly emerging markets.
3. Searching for strategic partners to intensify the vertical and horizontal integration of products.
4. Increase the proportion of self-manufactured key parts and components to reduce cost so as to upgrade the competitive power of products.
5. Development of new markets for bringing in more revenue.

Chairman:
Liao Wen-Chia

Person in charge:
Lin Chi-Chuan

Chief Accounting Officer:
Huang Yi-Hsien

TWO. Company Profile

I. Date of Incorporation

July 21, 1972

II. Company history

Founded in July 1972, the Company was previously known as Anderson Industrial Corp. with engagement in the principal business of the design, manufacturing, processing, sales, and import and export of CNC machines, construction and decoration materials, and metal parts. The business objective of the Company is the development of high precision machinery for advanced technologies, and was conceived with the corporate philosophy of “Technology-Based for Global Pursuit”. In September 2000, the Company was renamed “Anderson Group”.

Milestones:

- | | |
|------|--|
| 1976 | • Licensed as an agent of KANEFUSA products of Japan, and imported the first piece high quality woodworking tungsten saw blades. |
| 1977 | • Business locations were established in Taichung and Kaohsiung, kicked off marketing and services across the province. |
| 1978 | • Licensed as an agent of MANUNAKA products in Japan and launched into the market of woodworking machinery. |
| 1980 | • Organized a circular exhibition of imported woodworking machinery from Japan across the province and triggered a new mode of marketing in the industry. |
| | • Licensed by HOMAG of Germany, the number one brand of the world in woodworking machinery, as an agent for distribution of HOMAG edging machines, drilling machines, and two-end, and engaged in technology joint ventures. |
| 1985 | • Successful design of the computer-controlled NC ROUTERS and started to develop its own brands. |
| 1986 | • The NC ROUTERS won the Special Product Award of TAMI. |
| 1987 | • CNC machinery carrying Anderson brands is exported to the market of EU and America. |
| 1988 | • The CNC ROUTERS won the Branding Award from TAITRA. |
| 1989 | • ANDI CNC routers won the “National Excellent Product Award”. |
| 1992 | • CNC ROUTERS and CNC MACHINE CENTER were launched
CNC PROFILE GRINDING MACHINE won the “Taiwan Excellence Awards” of MOEA. |
| | • Corporate reorganization as a joint stock limited liability company. |

- 1993
 - Establishment of subsidiaries in Hong Kong, Germany, and the USA.
 - Consolidation of (An De, Zhong De) through merger and integrated the operation with paid-in capital amounting to NTD 121,000 thousand.
- 1994
 - Raised capital by offering new shares with paid-in capital increased to NTD 170,470 thousand.
- 1995
 - Accredited with the ISO-9002 quality system by TUV of Germany.
 - Successful development of the first PC-Based Controller woodworking CNC Router in Taiwan.
 - Raised capital by offering new shares with paid-in capital increased to NTD 187,260 thousand.
- 1996
 - Established an Anderson Group company in Singapore.
 - Raised capital by offering new shares with paid-in capital increased to NTD 266,500 thousand.
 - Successful development of the first CNC 5-axis woodworking machine in Taiwan under a subsidy of Industrial Development Bureau of MOEA on new product, and also won the Excellent Design Award of TWMA.
- 1997
 - Accredited with the CE Directive of machinery safety from the EU.
 - Capitalization of retained earnings and additional paid-in capital into new shares, with paid-in capital increased to NTD 310,000 thousand.
 - Successful development of CNC drilling machines for PCB.
- 1998
 - CNC 5-axis machine won the Silver Medal of the 6th National Product Image Award.
 - Accredited with the ISO-9001 quality system by TUV of Germany.
 - Successful development of a PCB tester.
 - Successful development of a light-weight and aerospace CNC 5-axis machine.
 - Raised capital, capitalization of retained earnings and additional paid-in capital into new shares with paid-in capital increased to NTD 475,000 thousand.
- 1999
 - Successful launch of the project of the new premium item, the “P-BGA Inspection Machine”.
 - Successful development of Ultra High Speed PCB drilling inspection machines.
 - Capitalization of retained earnings and additional paid-in capital into new shares with paid-in capital increased to NTD 549,000 thousand.
- 2000
 - Successful introduction of linear motor PCB drilling technology.
 - Raised capital by offering new shares in 1999, with paid-in capital increased to NTD 619,000 thousand.
 - Raised capital by offering new shares in with paid-in capital increased to NTD 719,000 thousand.

2001	• Introduction of ERP and PDM system to upgrade the utilization of corporate resources and R&D efficiency. • Capitalization of retained earnings and additional paid-in capital into new shares with paid-in capital increased to NTD 800,000 thousand.
2002	• The R&D building of Houlong Plant opened to service. • Merger with Anderson Europe GmbH and Anderson Electronic Machinery in Germany. • Capitalization of additional paid-in capital into new shares with paid-in capital increased to NTD820,000 thousand.
2003	• Decreased of capital by cancellation of treasury shares with paid-in capital reduced to NTD 742,000 thousand. • Issued overseas depository receipts amounting to USD 9.9 million.
2004	• Assignment of 4,000,000 treasury shares to employees. • Redemption of overseas convertible bonds amounting to USD1.5 million with outstanding overseas convertible bonds amounting to USD 8.4 million.
2005	• Passed the “IT ApplicationPromotion Project, ITAP” of the Department of Technology, MOEA. • Capitalization of retained earnings and additional paid-in capital into new shares with paid-in capital increased to NTD 762,000 thousand. • Redemption of overseas convertible bonds amounting to USD 4.9 million and conversion of USD 1.75 million into common shares, with outstanding overseas convertible bonds amounting to USD 1.75million.
2006	• De-capitalization of Anderson GmbHin Germany with paid-in capital decreased to EUR 2,025 thousand. • Conversion of overseas convertible bonds into common shares amounting to USD 1.75 million, with outstanding overseas convertible bonds down to USD 0. • Registration of the conversion of overseas convertible bonds into common shares, with paid-in capital amounting to NTD 894,923,480. • Capitalization of retained earnings and additional paid-in capital into new shares, with paid-in capital increased to NTD 960,000 thousand. • Founding of Sheng Deh Investment Co., Ltd. with paid-in capital amounting to NTD150,000 thousand.

- | | |
|------|---|
| 2007 | <ul style="list-style-type: none"> • Raising capital for Sheng Deh Investment Co., Ltd. with paid-in capital increased to NTD 200,000 thousand. • Investment in SOGOTEC via Sheng Deh Investment Co., Ltd. with NTD 139,922 thousand. • Initial offering of domestic unsecured convertible bonds amounting to NTD 300,000 thousand. • Raising capital of NTD 200,000 thousand by offering new shares and capitalization of retained earnings of NTD 40,000 thousand into new shares, with paid-in capital increased to NTD 1,200,000 thousand. |
| 2008 | <ul style="list-style-type: none"> • Raising capital for Sheng Deh Investment Co., Ltd. with paid-in capital increased to NTD 220,000 thousand. • Registration of the conversion of the initial issuance of domestic unsecured convertible bonds into common shares, with paid-in capital amounting to NTD 1,209,682,060. • Capitalization of retained earnings amounting to NTD 61,000 thousand into new shares, with paid-in capital increased to NTD 1,270,682,060. • Decreased capital by cancellation of treasury shares amounting to NTD 120,000 thousand, with paid-in capital decreased to NTD 1,150,682,060. |
| 2009 | <ul style="list-style-type: none"> • Capitalization of additional paid-in capital amounting to NTD 25,000 thousand, with paid-in capital increased to NTD 1,175,682,060. • Redemption of the initial issue of domestic unsecured convertible bonds under the conversion regulation amounting to NTD 26,100,000 of which NTD 22,500,000 were paid in cash and NTD 3,600,000 were converted into common shares. Registration of the change resulted in paid-in capital of NTD 1,178,114,480. |
| 2010 | <ul style="list-style-type: none"> • Offering of the 2nd issue of domestic unsecured convertible bonds amounting to NTD 300,000 thousand. • Capitalization of additional paid-in capital amounting to NTD 23,062,290 with paid-in capital increased to NTD 1,201,176,770. |
| 2011 | <ul style="list-style-type: none"> • Registration of the conversion of the 2nd issue of domestic unsecured convertible bonds into common shares and capitalization of additional paid-in capital amounting to NTD 30,000 thousand into new shares, with paid-in capital increased to NTD 1,426,944,980. • Investment of USD 2,425,000 for acquiring the equity shares of Shanghai Marunaka Machinery and renamed the company as You Deh Machinery (Shanghai) Co., Ltd.. |

- 2012
- Decreased capital by cancellation of treasury shares amounting to NTD 30,220 thousand, with paid-in capital decreased to NTD 1,396,724,980.
 - Registration of the conversion of the 2nd issue of domestic unsecured convertible bonds into common shares.
 - Redemption of the 2nd issue of domestic unsecured convertible bonds under the conversion regulation amounting to NTD 6,300,000 of which NTD 1,400,000 were paid in cash and NTD 4,900,000 were converted into common shares. Registration of the change resulted in paid-in capital of NTD 1,409,187,540.
- Capitalization of retained earnings amounting to NTD 60,812,460 into new shares, with paid-in capital increased to NTD 1,470,000,000.
- 2013
- The Company is positioned as a professional machinery firm, and invested NTD 50 million in May 2013 to establish You Deh Industrial Co., Ltd. for taking over the operation of the Board Business Division. This company will concentrate on board materials and started its operation since August 2013.
- 2014
- Former Chairman Hsieh Chi-Jen resigned from office on January 15, 2014 with Pai Deh Investment Co., Ltd. elected as Chairman to fill the vacancy. Mr. Johnny Liao was appointed as the representative and Former Chairman Hsieh Chi-Jen was promoted to Honorary Chairman.
 - The Company acquired 100% of the stakes of Giben do Brasil Maquinas e Equipamentos Ltda & Giben America, Inc., a subsidiary of the Giben Group of Italy in Brazil, on April 25, 2014, and related trademarks and technical drawings.
- 2015
- Raised capital of NTD 363,000 thousand by offering new shares, with paid-in capital increased to NTD 1,800,000,000.
 - Zhongde Industrial (Shanghai) Co., Ltd. made investment with its capital amounting to CNY 5,360 thousand to engage in an equity joint venture with Sichuan Ruifeng Ecological Technology Co., Ltd. to establish Chengdu Zhongde CNC Machinery Co., Ltd. and held 67% of the shares to expand in the China market.
 - The Company acquired Monforts Werkzeugmaschinen GmbH & Co. KG for EUR 3.5 million for broadening the product line and diversification of the market.
 - In October 2015, the Company disposed of the Electronic Machinery Division with its business and related assets to SOGOTEC, an indirect wholly-owned subsidiary, for the integration of group resources.

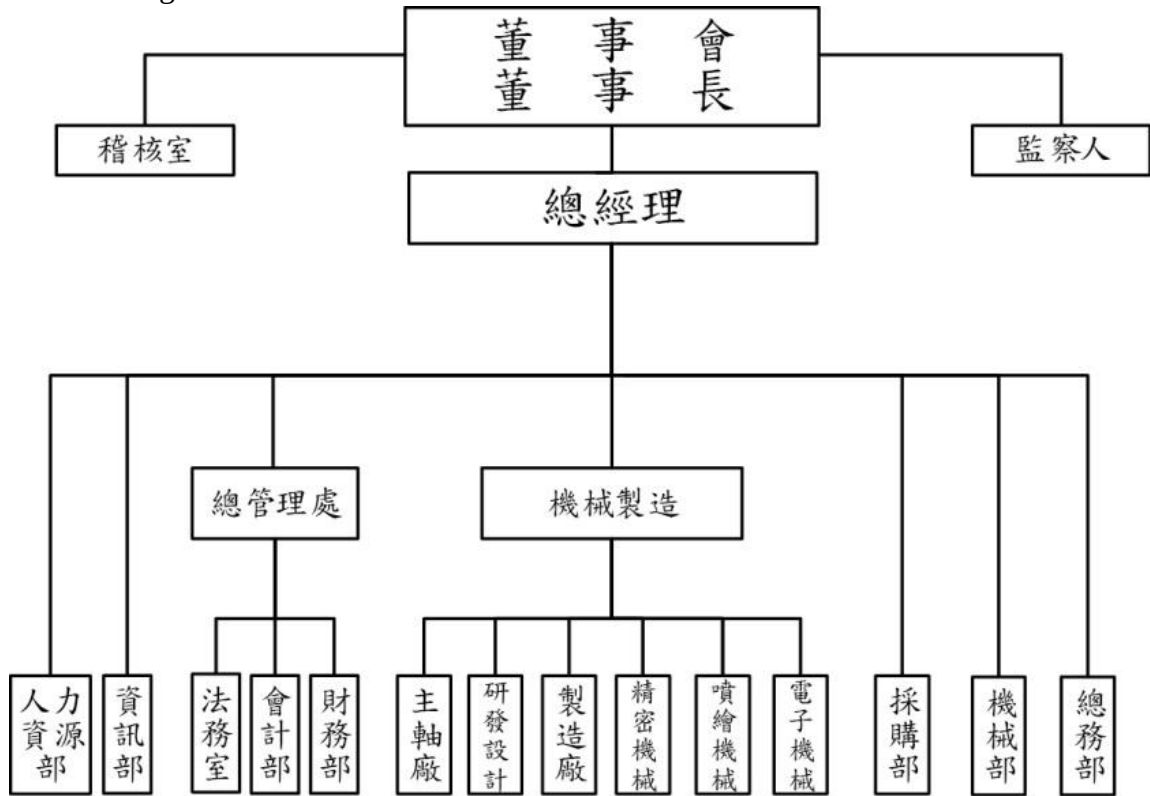
- 2016
- The Company invested NTD 16,781 thousand to establish SOGOTEC Shanghai on January 1, 2016.
 - In consideration of the vertical and horizontal integration of the group and for diversification of operations, the Company invested USD11,045,000 on April 1 2016 to engage in an equity joint venture with PILOT ELECTRONICS CORPORATION in making investments in CAL QUALITY ELECTRONICS of USA for 47% of its shares to expand the scale of operations and upgrade the profits of the group for sustainability.
 - Under an overall assessment of the financial position, state of indebtedness, and the possible capital needs of the subsidiaries, and potential investment programs on June 22, 2016, the Board resolved to sell all the equity in holding to PILOT ELECTRONICS CORPORATION. The transaction procedure was completed on June 30, 2016.
- 2017
- For broadening the product lines and diversification in market, as well as bolstering the synergy in overall operation, the Board of the Company resolved on March 28, 2017 to acquire the property of Matec Maschinenbau GmbH of Germany for EUR 3,900 thousand. At the same time, the Company also established MATEC GmbH in Germany with an investment of EUR3,100 thousand. MATEC GmbH acquired other fixed assets, inventory, patents and related assets and be responsible for running the product lines and services of Matec Maschinenbau GmbH.

THREE. Corporate Governance Report

I. Company Organization

(I) Organizational Chart

1. Organizational Structure



2. Functions of Major Departments

Major Departments	Assigned Duties
Auditing Office	Administer the design, institution, and examination of the internal control system of the Company.
Human Resources Department	Administer personnel management and training of the Company.
Information Department	Administer the integration, design, and execution of the information system of the Company.
Legal Affairs Office	Administer the legal affairs of the Company.
Accounting Department	Administer the accounting and taxation matters of the Company.
Finance Department	Administer the financial operation and share registration and transaction of the Company.
Main Axis Plant	Responsible for the manufacturing and sale of the main axis.
Research, Development and Design	Responsible for the research, development and design of products.
Manufactory	Responsible for logistics management, the control of incoming materials, quality of machine production, and processing of parts and components of self-manufactured machines.
Precision Machinery	CNC Processing center, cutting blade grinding machine, and laser machine sale.
Inkjet printing machine	Inkjet printing machine sale .
Electronic Machinery	PCB drilling machine and forming machine sale.
Procurement Department	Administer the procurement of materials and merchandise at home and abroad.
Machinery Department	Sales of self-manufactured precision machines and distribution of imported machines.
General Affairs Department	Administer the general affairs of the Company.

II. Profiles of the Directors, Supervisors, General Manager, Vice Presidents, Asst Vice Presidents, and the heads of the departments and branches

1. Profile of the Directors and Supervisors (I)

April 21, 2017; Unit: share; %

Title	Nationality or place of registration	Name	Sex	Date of elected (office)	Term of office	Initial date of election to office	Quantity of shareholding at the time of election to office		Quantity of shareholding at present		Quantity of shareholding by spouse, underage children.		Quantity of shareholding under the name of a third party		Experience (education)	Other position in the Company Positions in other companies	Other executives, Directors or Supervisors who are spouses or relatives within the 2nd tier under the Civil Code.		
							Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio			Title	Name	Relation
Chairman	Republic of China	Johnny Liao	Male	2014.6.6	3	2013.6.25	2,000,000	1.36%	2,000,000	1.11%	-	-	27,500,000	15.28%	Master of eCommerce, Boston University, USA Sales Manager, XAVi Technologies Sales Manager, Pilot Electronics Corporation	Chairman, Anderson Group Chairman and General Manager, Pilot Electronics Corporation Parpro Holdings Co., Ltd. Representative of Institutional Director Representative of AP Parpro, Inc., Institutional Director Representative of, Shi Deh Technology Co., Ltd. Institutional Director Chairman of Pai Deh Investment Co., Ltd. Chairman of Chieh Shih Investment Co., Ltd. Chairman of Yun Yung Investment Co., Ltd. Representative of Parpro(Nevada) Inc. , Institutional Director Representative of Pilot(Las Vegas) Inc. , Institutional Director Representative of Parpro Technologies Inc., Institutional Director Representative of Parpro Quality Inc., Institutional Director Chairman, SOGOTEC Chairman, Powertech Industrial Co., Ltd. Chairman, Willis Co., Ltd.	No		
Director	Republic of China	Steve Sheng	Male	2014.6.6	3	2008.6.19	331,494	0.23%	451,494	0.25%	344,953	0.19%	-	-	Dept of Accounting, National Chengchi University	Director, Anderson Group	No		

Title	Nationality or place of registration	Name	Sex	Date of elected (office)	Term of office	Initial date of election to office	Quantity of shareholding at the time of election to office		Quantity of shareholding at present		Quantity of shareholding by spouse, underage children.		Quantity of shareholding under the name of a third party		Experience (education)	Other position in the Company Positions in other companies	Other executives, Directors or Supervisors who are spouses or relatives within the 2nd tier under the Civil Code.		
							Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio			Title	Name	Relation
															Auditing Manager, KPMG Taiwan	Director, Anderson HK Director, SOGOTEC Shanghai.			
Director	Republic of China	Lee Chang-Feng	Male	2014.6.6	3	100.6.24	4,263	-	6,263	0.00%	-	-	-	-	Chih Yung Senior High School	Director, Anderson Group	No		
Director	Republic of China	Hsu Shan-Ko	Male	2014.6.6	3	2014.6.6	-	-	-	-	-	-	-	-	MBA, Graduate Institute of Business Administration, National Chengchi University Deputy CEO, General Management, Yulon Group Chairman, Altek Corporation Chairman, Taiwan Mask Corporation Chairman, Myson Century Inc. Vice Chairman, Taiwan Venture Capital Association Vice President, Taiwan Private Equity Association Director, Institute of Information Industry Chairman, Advagene Biopharma Co., Ltd.	Director, Anderson Group Director, Pilot Electronics Corporation Independent Director, Nuvoton Technology Corporation Director, Innodisk Chairman, Hestia Power Inc. Independent Director, Winbond Electronics Corporation Director, Acme Electronics Corporation Independent Director, ANZ Bank (Taiwan) Limited. Chairman, AcceleStor, Inc. Yizhong Technology Inc., Chairman	No		
Director	Republic of China	Yun Yung Investment Co., Ltd.		2014.6.6	3	2014.6.6	20,000,000	13.61%	20,000,000	11.11%	-	-	-	-	Not applicable	No	No		
	Republic of China	Representative: Simon Lin	Male	-	-	-	-	-	794,410	0.44%	11,902	0.01%	-	-	EMBA, National Chengchi University	Representative of Anderson Group, Institutional Director Director, SOGOTEC Director, Anderson USA Director, Anderson Germany Director, Anderson HK Representative of SOGOTEC, Institutional Director Representative of Yu De Industrial Co., Ltd., Institutional Director Director, Giben America Inc.	No		
Director	Republic of China	Ko Chang-Chu	Female	2014.6.6	3	2014.6.6	8,422	0.01%	9,934	0.01%	-	-	-	-	Dept of Horticulture, University of Chinese Culture Chief of Corporate Staff, Office of the President, Compal Electronics Inc., President of Branch in the Netherlands, Divisional Manager, Corporate	Director, Anderson Group	No		

Title	Nationality or place of registration	Name	Sex	Date of elected (office)	Term of office	Initial date of election to office	Quantity of shareholding at the time of election to office		Quantity of shareholding at present		Quantity of shareholding by spouse, underage children.		Quantity of shareholding under the name of a third party		Experience (education)	Other position in the Company Positions in other companies	Other executives, Directors or Supervisors who are spouses or relatives within the 2nd tier under the Civil Code.		
							Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio	Quantity of shares	Shareholding Ratio			Title	Name	Relation
															Management Office Manager, Trade Department, Kinpo Electronics				
Director	Republic of China	Wang Chan-Hsiung	Male	2014.6.6	3	2014.6.6	-	-	-	-	-	-	-	-	1987, 80th Session, NDMC School of Medicine Military Medical Officer, Tri-Service General Hospital Military Medical Officer, Medical Center, Logistics Command Headquarters Manager, Pu Hsin Technology Co., Ltd. Manager, Tzer Ming Investment Co., Ltd. CEO, Tzer Ming Education Foundatin	Director, Anderson Group Supervisor, Tzer Ming Investment Co., Ltd.,		No	
Supervisor	Republic of China	Chu Yung-Ta	Male	2014.6.6	3	2005.6.23	-	-	786,000	0.44%	-	-	-	-	Takming University of Science and Technology - Real Estate Attorney, Yung Kuan Land Registration Service Office	Praticing Real Estate Attorney, Yung Kuan Land Registration Service Office Supervisor, Anderson Group Supervisor, SOGOTEC Supervisor, Sheng Deh Co., Ltd.		No.	
Supervisor	Republic of China	Lee Huei-Chin	Male	2014.6.6	3	2014.6.6	-	-	565,000	0.31%	-	-	-	-	EMBA, National Taiwan University (2002) Vice President, Cheng Hua, Communication Co., Ltd. Department of Physics, Tung Hai University (1976)	Chief Technology Officer and Director, Chan Ta Communication Co., Ltd. Supervisor, Anderson Group Supervisor, SOGOTEC		No	

Table 1: Dominant Shareholders of Institutional Shareholders

April 21, 2017

Names of Institutional Shareholders	Dominant Shareholders of Institutional Shareholders
Yun Yung Investment Co., Ltd.	Johnny Liao (92%), Chen Shi-Ching (8%)

Table 2: Dominant Shareholders of Institutional Shareholders in Table 1

Names of Institutional Shareholders	Dominant Shareholders of Institutional Shareholders
Not applicable	Not applicable

Profile of the Directors and Supervisors (II)

Name	Condition	More than 5 years of work experience And the following professional qualification			Conformity to the status of independence (note)										Indep enden t Direct ors of other public comp anies
		Lecturer of public and private universities in commerce, law, finance and banking, accounting, or other related disciplines required by the Company in business operation or higher position.	Professional and technical personnel passing the national examination with a license in court judge, public prosecutor, accountant, and other areas of specialization required by the Company in business operation.	Necessary work experience in commerce, legal affairs, finance and banking, accounting of other areas required by the Company in business operation.	1	2	3	4	5	6	7	8	9	10	
Johnny Liao			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	No
Steve Sheng			✓				✓	✓	✓	✓	✓	✓	✓	✓	No
Lee Chang-Feng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	No
Hsu Shan-Ko			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	3
Yun Yung Investment Co., Ltd. Representative: Simon Lin			✓				✓	✓	✓	✓	✓	✓	✓	✓	No
Ko Chang-Chu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	No
Wang Chan-Hsiung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	No
Chu Yung-Ta			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	No
Lee Huei-Chin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	No
Hsieh Fei-Ru			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	No

Note: Put a "V" sign in the following boxes of conditions if the Directors and Supervisors meet the following conditions two years prior to assumption of office and during the term of office✓

- (1) Not an employee of the Company or its affiliates.
- (2) Not a Director or Supervisor of the Company or its affiliates (except the independent directors of subsidiaries established by the Company or its parent company, under this law or other applicable laws in the host countries).
- (3) Not a shareholder of more than 1% of the outstanding shares of the Company by self, spouse, underage children, or in the name of a third party, or a natural person shareholder among the Top 10 shareholders.
- (4) Not a spouse, kindred within the 2nd tier under the Civil Code, or kindred within the 5th tier of direct blood line under the Civil Code of the parties mentioned in (1) to (3).
- (5) Not a Director, Supervisor, or employee of an institutional shareholder directly holding more than 5% of the outstanding shares of the Company, or a Director, Supervisor, or employee of the Top 5 institutional shareholders.
- (6) Not a Director, Supervisor, manager or shareholder holding more than 5% of the stakes of a particular company or entity with financial or business relations with the Company.
- (7) Not a proprietor, partner, Director, Supervisor, manager and spouse of the professional firm, sole

proprietorship, partnership, company or business entity providing commercial, legal, financial, and accounting services or consultation to the Company or affiliates. This provision could be waived for members of the remuneration committee who exercise their authority in performance of assigned duties pursuant 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 Counter.

- (8) Not the spouse or relative within the 2nd tier under the Civil Code with another Director.
- (9) Article 30 of the Company Act is not applicable.
- (10) Not elected to office from the government, institutions or their representatives pursuant to Article 27 of the Company Act.

2. Profile of the General Manager, Vice President, Asst Vice President, heads of the departments and branches.

April 21, 2017; unit: share;%

Title	Nationality	Name	Sex	Date of office	Quantity of shareholding		Shareholding by spouse, underage children Quantity of shareholding		Shareholding in the name of a third party Quantity of shareholding		Work experience (education)	Positions with other companies	Spouse or kindred within the 2nd tier under the Civil Code Manager		
					Quantity of	Shareholding Ratio	Quantity of	Shareholding Ratio	Quantity of	Shareholding Ratio			Title	Name	Relation
General Manager	Republic of China	Simon Lin	Male	2015.01.01	794,410	0.44%	11,902	0.01%	-	-	EMBA, National Chengchi University	Representative of Anderson Group, Institutional Director Director, SOGOTEC Director, Anderson USA Director, Anderson Germany Director, Anderson HK Representative of SOGOTEC, Institutional Director Representative of Yu De Industrial Co.,Ltd., Institutional Director Director, Giben America Inc.	No		
Greater China General Manager in Sale	Republic of China	Speed Lin	Male	2015.01.01	-	-	-	-	-	-	National Tung-Shih Senior High School	Director, SOGOTEC Shanghai Director, Zhongde Industrial (Shanghai) Co., Ltd. Director, You Deh Machinery (Shanghai) Co., Ltd.	No		
Vice President	Republic of China	Tommy Lee	Male	2015.01.01	135,404	0.08%	-	-	-	-	Master Program, Department of Mechanical Engineering, National Chung Hsing University	Representative of SOGOTEC, Institutional Director Director, Giben America Inc.	No		
CFO and Accountant in Charge	Republic of China	Daphne Huang	Female	2014.10.01	116,000	0.06%	-	-	-	-	EMBA, Accounting and Management Decision, National Taiwan University CFO, Swissray Global Healthcare Taiwan Vice President, Auditing Dept, PwC Taiwan	Supervisor, SOGOTEC Shanghai Director, SOGOTEC Director, Zhongde Industrial (Shanghai) Co., Ltd. Director, You Deh Machinery (Shanghai) Co., Ltd. Supervisor, Yu De Industrial Co.,Ltd. Director, Anderson Germany Representative, Sheng Deh Co., Ltd., Institutional Director Director, Giben America Inc.	No		
Europe and America CFO	Republic of China	Angela Wang	Female	2014.07.01	32,604	0.02%	-	-	-	-	Azusa Pacific University MBA Asst Vice President, Yungshin Pharm ind. Co. Ltd Business Development Department Vice President, Investment Banking Department, Daiwa-Cathay Capital Markets Co., Ltd. Asst Vice President, Capital Market Division, Yuanta Securities Vice President, Chung Ching Venture Capital Senior Manager, Corporate Wealth Management Department, CLSA Asia	No	No		

											Pacific Markets		
Asst Vice President	Republic of China	Jim Liu	Male	2014.01.01	37,262	0.02%	-	-	-	-	Department of Automation Control, Feng Chia University	No	No
Asst Vice President	Republic of China	David Lai	Male	2015.07.01	-	-	-	-	-	-	Department of Information Engineering, Feng Chia University Divisional Manager, Pilot Electronics Corporation Vice President, Lantek Electronics	No	No

3. Remuneration to the Directors, Supervisors, General Manager, and Vice President

(1) Remuneration to the Directors (including Independent Directors) (with disclosure of name and bracket of payment)

Unit: NTD 1,000
December 31, 2016

Title	Name	Remuneration to Directors								The sum of A + B + C + D in proportion to corporate earnings (Note 10)		Salaries paid as employees								The sum of A + B + C + D + E + F +G to corporate earnings (Note 10)		Any remuneration from investees beyond the subsidiaries (Note 11)
		Remuneration (A) (Note 1)		Severance pay and pension (B)		Remuneration to Directors (C) (Note 2)		Professional practice fees (D) (Note 3)				Salary, bonus, and special expense account(E) (note 4)		Severance pay and pension (F)		Remuneration to employees (G)(Note 5)						
		The Company	All companies included in financial statements of the Company (Note 7)	The Company	All companies included in financial statements of the Company (Note 7)	The Company	All companies included in financial statements of the Company (Note 7)	The Company	All companies included in financial statements of the Company (Note 7)	The Company	All companies included in financial statements of the Company (Note 7)	The Company	All companies included in financial statements of the Company (Note 7)	The Company	All companies included in financial statements of the Company (Note 7)	The Company		All companies included in financial statements of the Company (Note 7)		The Company	All companies included in financial statements of the Company (Note 7)	
Amount in cash	Amount in stock															Amount in cash	Amount in stock					
Chairman	Johnny Liao	7,047	8,878	-	-	955	955	2,280	2,280	10.43%	12.28%	6,065	6,174	5,775	5,775	1,227	-	1,227	-	23.68%	25.64%	-
Director	Steve Sheng																					
Director	Lee Chang-Feng																					
Director	Hsu Shan-Ko																					
Director	Ko Chang-Chu																					
Director	Wang Chan-Hsiung																					
Director	Yun Yung Investment Co., Ltd. (Representative: Simon Lin																					

Salary Scale Table

Bracket of remuneration to the Directors of the Company	Names of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	(Note 8)	All companies included in the consolidated financial statements of the Company (Note 9) I	(Note 8)	All companies included in the consolidated financial statements of the Company (Note 9) J
Less than NTD 2,000,000	Steve Sheng, Simon Lin, Hsu Shan-Ko, Ko Chang-Chu, Wang Chan-Hsiung, Lee Chang-Feng.	Same as the left column	Hsu Shan-Ko, Ko Chang-Chu, Wang Chan-Hsiung, Lee Chang-Feng	Same as the left column
NTD 2,000,000 (inclusive)~NTD 5,000,000(exclusive)			Simon Lin	Same as the left column
NTD 5,000,000 (inclusive)~NTD 10,000,000(exclusive)	Johnny Liao	Same as the left column	Johnny Liao, Steve Sheng	Same as the left column
NTD 10,000,000 (inclusive)~NTD 15,000,000 (exclusive)				
NTD 15,000,000 (inclusive)~NTD 30,000,000 (exclusive)				
NTD 30,000,000 (inclusive)~NTD 50,000,000 (exclusive)				
NTD 50,000,000 (inclusive)~NTD 100,000,000 (exclusive)				
More than NTD 100,000,000				
Total				

Note 1: The remuneration to the Directors in 2016 (including salaries, job subsidy, severance pay, bonus, and incentives for the Directors)

Note 2: The remuneration actually paid to the Directors at the resolution of the Board in 2016.

Note 3: The professional service fee for the Directors in 2016 (including traveling expense, special expense account, subsidies, lodging, and company cars and other supplies)

Note 4: The salaries, job subsidy, severance pay, bonus, incentives, traveling expense, special expense account, subsidies, lodging, company cars and other supplies in 2016 when Directors also performed duties as employees (in the capacities as General Manager, Vice President, managers and employees) The recognition of salaries under IFRSs- “share-based payments” is not applicable to the Directors of the Company.

- Note 5: The remuneration (including stock and cash) to the Directors for performing their duties as employees in 2016 (in the capacities as General Manager, Vice President, managers and employees). The amount disclosed is the amount approved by the Board in 2016 as remuneration to employees.
- Note 6: The quantity of shares entitled for subscription under ESO acquired by the Directors (including the portion of rights being exercised) by Directors in the capacity as employees (in the capacities as General Manager, Vice President, managers and employees) to the date this report was printed.
- Note 7: The total amount paid to the Company from all companies (including The Company) included in the consolidated financial statements as remuneration to the Directors of the Company should be disclosed.
- Note 8: The total amount of remuneration to each Director with disclosure of names in relevant brackets.
- Note 9: The total amount paid to each Directors of the Company by all companies (including The Company) included in the consolidated financial statements as remuneration to each Director and their names in relevant brackets of payment shall be disclosed.
- Note 10: Corporate earnings shall refer to the earnings net of applicable taxes as stated in the separate financial statements of 2016.
- Note 11: The Directors of the Company did not receive any amount of remuneration from investees other than the subsidiaries.
- * The content of remuneration disclosed in this table is not relevant to the concept of income under the Tax Code, the purpose of which is for disclosure only but not for taxation purposes.

(2) Remuneration to the Supervisors (disclose the names and the means of remuneration)

Unit: NTD 1,000
December 31, 2016

December 31, 2019

Title	Name	Remuneration to Supervisor						The sum of A + B + C in proportion to corporate earnings (Note 5)		Any remuneration from investees beyond the subsidiaries (Note 6)
		Remuneration (A) (Note 1)		Remuneration (B) (Note 2)		Professional service Fee (C) (Note 3)				
		The Company	All companies included in the financial statements of the Company (Note 4)	The Company	All companies included in the financial statements of the Company (Note 4)	The Company	All companies included in the financial statements of the Company (Note 4)	The Company	All companies included in the financial statements of the Company (Note 4)	
Supervisor	Chu Yung-Ta	-	-	136	164	138	147	0.28%	0.32%	-
Supervisor	Lee Huei-Chin	-	-	136	164	120	126	0.26%	0.29%	-
Supervisor	Hsieh Fei Ru (Note 7)	-	-	-	-	81	81	0.08%	0.08%	-

Note 1: The remuneration to the Directors in 2016 (including salaries, job subsidy, severance pay, bonus, and incentives for the Supervisors).

Note 2: The remuneration actually paid to the Supervisors at the resolution of the Board in 2016.

Note 3: The professional service fee for the Supervisors in 2016 (including traveling expenses, special expense accounts, subsidies, lodging, and company cars and other supplies).

Note 4: The total amount paid to the Company from all companies (including The Company) included in the consolidated financial statements as remuneration to the Supervisors of the Company should be disclosed.

Note 5: Corporate earnings shall refer to the earnings net of applicable taxes as stated in the separate financial statements of 2016.

Note 6: The Supervisors of the Company did not receive any amount of remuneration from investees other than the subsidiaries.

Note 7: assumed office on August 4, 2016.

* The content of remuneration disclosed in this table is not relevant with the concept of income under the Tax Code and the purpose of which is for disclosure only but not for taxation purpose.

(3) Remuneration to the General Manager and Vice President (with disclosure of name and bracket of payment)

Unit: NTD 1,000

December 31, 2016

Title	Name	Salaries(A) (Note 2)		Severance pay and pension (B)		Bonus and Special expense account(C) (Note 3)		Amount of remuneration as employees(D) (Note 4)				The sum of A + B + C + D in proportion to corporate earnings (%) (Note 8)		Any remuneration from investees beyond the subsidiaries (Note 9)
		The Company	All companies included in financial statements of the Company (Note 5)	The Company	All companies included in financial statements of the Company (Note 5)	The Company	All companies included in financial statements of the Company (Note 5)	The Company		All companies included in financial statements of the Company (Note 5)		The Company	All companies included in financial statements of the Company (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General Manager	Simon Lin	10,293	10,360	5,775	5,775	6,029	6,072	-	-	-	-	22.41%	22.52%	-
Vice President	Tommy Lee													
General Manager of Greater China	Speed Lin													
Chief Strategic Officer	Steve Sheng (Note 10)													
Chief Financial Officer	Daphne Huang													
Europe and America Chief Financial Officer	Angela Wang													

* Positions equivalent to General Manager, Vice President (such as: president, CEO, Director and so forth) should be disclosed notwithstanding the name of the occupational title.

Salary scale table

Brackets for salary payment for the General Manager and Vice President.	Names of the General Manager and Vice President of the Company	
	(Note 6)	All companies included in financial statements of the Company (Note 7)
Less than NTD 2,000,000		
NTD 2,000,000 (inclusive)~NTD 5,000,000(exclusive)	Simon Lin, Tommy Lee, Speed Lin, Steve Sheng, Daphne Huang, Angela Wang.	Same as the left column
NTD 5,000,000 (inclusive)~NTD 10,000,000(exclusive)		
NTD 10,000,000 (inclusive)~NTD 15,000,000 (exclusive)		
NTD 15,000,000 (inclusive)~NTD 30,000,000 (exclusive)		
NTD 30,000,000 (inclusive)~NTD 50,000,000 (exclusive)		
NTD 50,000,000 (inclusive)~NTD 100,000,000 (exclusive)		
More than NTD 100,000,000		
Total		

Note 1: Disclosure in this table is relevant to the duties of presidents and vice presidents in the industry.

Note 2: The salaries, job subsidies, and severance pay for the General Manager and Vice President in 2016.

Note 3: The bonus, incentives, traveling expense, special expense account, subsidies, lodging, company cars and other supplies in 2016 to the General Manager and Vice President The recognition of salaries under IFRS 2- “share-based payments” is not applicable to the General Manager and Vice President of the Company.

Note 4: The remuneration actually paid to the General Manager and Vice President at the resolution of the Board in 2016.

Note 5: The total amount paid to the Company from all companies (including The Company) included in the consolidated financial statements as remuneration to the General Manager and Vice President of the Company should be disclosed.

Note 6: The total amount of remuneration to each General Manager and Vice President with disclosure of the names in the relevant brackets.

Note 7: The total amount paid to each Director of the Company by all companies (including The Company) included in the consolidated financial statements as remuneration to each General Manager and Vice President and their names in relevant brackets of payment shall be disclosed.

Note 8: Corporate earnings shall refer to the earnings net of applicable taxes as stated in the separate financial statements of 2016.

Note 9: The General Manager and Vice President of the Company did not receive any amount of remuneration from investees other than the subsidiaries. °

Note 10: Retired on June 30, 2016.

* The content of remuneration disclosed in this table is not relevant to the concept of income under the Tax Code, the purpose of which is for disclosure only but not for taxation purposes.

(4) Names of the managers with remuneration as employees and the allocation

Unit: NTD 1,000
December 31, 2016

	Title (Note 1)	Name (Note 1)	Amount in stock	Amount in cash	Total	The total in proportion to corporate earnings (%)
Manager	General Manager	Simon Lin	-	1,227	1,227	1.24%
	General Manager, Greater China	Speed Lin				
	Chief Strategic Officer	Steve Sheng				
	Chief Financial Officer	Daphne Huang				
	Chief Financial Office in Europe and America	Angela Wang				
	Vice President	Tommy Lee				
	Asst Vice President	David Lai				
	Asst Vice President	Jim Liu				

Note 1: Disclosure of the names and titles, and the distribution of earnings in aggregates.

Note 2: Amount paid to the General Manager and Vice President as remuneration as approved by the Board in 2016 (including stock and cash). If projection is impossible, estimate in proportion to the amount paid in the previous year as the estimate for distribution in this year. Corporate earnings shall refer to the earnings net of applicable taxes as stated in the separate financial statement of 2016.

Note 3: Scope of application to managers is specified in FSC Letter Tai-Cai-Zheng- (III)-Zi No. 0920001301 dated March 27 2003 and is specified below:

- (1) General Manager and equivalent ranks.
- (2) Vice President and equivalent ranks.
- (3) Asst Vice President and equivalent ranks.
- (4) Chief of financial department
- (5) Chief of accounting department
- (6) Others charged with administrative affairs of the Company or authorized to affix signatures for the Company.

Note 4: This table is required if the Directors, General Manager and Vice Presidents received payment as employees (including stock and cash) further to Appendix I-II.

4. Explain with comparison the total amount of remuneration from the Company and all companies included in the consolidated financial statements in the last 2 years to the Directors, Supervisors, General Manager, and Vice President in proportion to the corporate earnings, and the policy, standard of remuneration as well as the procedure for setting the components and determination of remuneration in association with operation performance.

- (1) Ratio of total remuneration to corporate earnings.

Title	The Company		All companies included in the consolidated financial statements of the Company.	
	2015	2016	2015	2016
Directors	(37.17%)	23.68%	(37.55%)	26.06%
Supervisors	(0.87%)	0.62%	(1.04%)	0.70%
General Manager and Vice President	(33.47%)	22.41%	(33.47%)	22.89%

(2) Remuneration policy of the Company

Remuneration to the Directors and Supervisors include traveling expense, and distribution of earnings. Traveling expenses will be determined by the Board. Those who do not perform regular duties of the Company receive only traveling expense. Distribution of earnings to Directors and Supervisors as remuneration is based on Article 17 and Article 20 of the Articles of Incorporation of the Company. The remuneration to the Directors and Supervisors shall be determined by the Board under authorization and shall be commensurate with the degree of participation and contribution value to the Company by respective Directors and Supervisors with reference to industry standard at home and abroad. The Company shall appropriate 1%~10% of the earnings before taxation and before remuneration to employees and Directors and Supervisors as remuneration to employees at the resolution of the Board payable in stock or in cash. The recipients of such payment shall include the employees of subsidiaries meeting specific conditions. The Company shall appropriate no more than 3% of the aforementioned earnings as remuneration to the Directors and Supervisors in cash only at the resolution of the Board. The proposal for remuneration to employees and Directors and Supervisors shall be reported to the General Meeting of Shareholders. The Company shall appropriate for the write-off of carry-forward loss, if applicable.

III. The pursuit of corporate governance

1. The function of the Board

The Board convened in 9 sessions in 2016 (A). The attendance of the Directors and Supervisors is shown below

Title	Name	Attendance (attend as observer) B	Attended by proxy	Attendance (attend as observer) rate (B/A)	Remark
Chairman	Johnny Liao	9	-	100%	
Director	Yun Yung Investment Co., Ltd. Representative: Simon Lin	9	-	100%	
Director	Hsu Shan-Ko	7	2	78%	

Director	Ko Chang-Chu	5	4	56%	
Director	Lee Chang-Feng	8	1	89%	
Director	Wang Chan-Hsiung	8	1	89%	
Director	Steve Sheng	7	2	78%	
Supervisor	Chu Yung-Ta	9	-	100%	
Supervisor	Lee Huei-Chin	3	4	33%	Taking leave twice
Supervisor	Hsieh Fei-Ru	6	-	100%	Resigned on August 4, 2016

Important notes:

- I. If any of the following is applicable to the operation of the Board, specify the date, the session, the content of motions of the Board, the opinions of the Independent Directors, and responses to these opinions.
 - (I) Issues specified in Article 14 -3 of the Securities and Exchange Act: No.
 - (II) In addition to the aforementioned issues, the adverse opinions from the Independent Directors or qualified opinions on record or in written declaration on the resolutions of the Board: No.
- II. The practice of the avoidance of conflict of interests on motions related to the interest of specific Directors, and the names of the Directors concerned, the content of the motions, the reasons for avoidance, and the voting.

Date	Motion	Names of Directors excused, and voting	Reasons for being excused.
2016.03.18	Motion No. 2: Endorsement/Guarantee in favor of Yu De Industrial	Director Johnny Liao and Director Simon Lin are the Chairman and Director, they are excused from the motion to avoid conflict of interest. The motion was passed by all other Directors in session in common consent.	Director Johnny Liao and Director Simon Lin are the Chairman and Director, they are excused from the motion to avoid conflict of interest.
	Motion No. 3: Endorsement/Guarantee in favor of Monforts CNC Werkzeugmaschinen GmbH	Director Simon Lin is a Director, and excused from the motion to avoid conflict of interest. The motion was passed by all other Directors in session in common consent.	Director Simon Lin is a Director, and excused from the motion to avoid conflict of interest.
	Motion No. 6: Bonus and year-end bonus for the managers of the Company	Director Simon Lin receives the aforementioned remuneration, and is excused from the motion to avoid conflict of interest. The motion was passed by all other Directors in session in common consent.	Director Simon Lin receives the aforementioned remuneration, and excused from the motion to avoid conflict of interest.
2016.06.22	Motion No. 1: Disposition of the equity of Parpro Quality Inc. in whole	Chairman Johnny Liao and Director Hsu Shan-Ko are Directors of Pilot Electronics Corporation, and Simon Lin is the	Chairman Johnny Liao and Director Hsu Shan-Ko are Directors of Pilot Electronics Corporation, and Simon Lin is the

			Representative and they are excused from the motion because Johnny Liao is the deputy agent of Yun Yung Investment Co., Ltd. to avoid conflict of interest. The motion was passed by all other Directors in session in common consent.	Representative and they are excused from the motion because Johnny Liao is the deputy agent of Yun Yung Investment Co., Ltd. to avoid conflict of interest.
	2016.08.15	Motion No. 1: Donation to Anderson Education Foundation	Director Simon Lin and Director Wang Chan-Hsiung is a Director and CEO of the foundation, and were excused from the motion to avoid conflict of interest. The motion was passed by all other Directors in session in common consent.	Director Simon Lin and Director Wang Chan-Hsiung is a Director and CEO of the foundation, and were excused from the motion to avoid conflict of interest.
III. The objective for reinforcement of the function of the Board (such as the establishment of Auditing Committee, and enhance transparency of information) current period and the most recent years and the status of implementation: The Company arranged continuing education and training for the Directors and Supervisors in 2016 for enriching their professional knowledge and proper pursuit of corporate governance.				

2. The function of the Auditing Committee: Not applicable, as the Company has not yet established the Auditing Committee.
3. Status of corporate governance, and variation from the Corporate Governance Best Practice Principle For TWSE/GTSM-listed Companies, and the reasons.

Items for evaluation	State of implementation			variation from the Corporate Governance Best Practice Principle For TWSE/GTSM-listed Companies, and the reasons.
	Yes	No	Summary	
I. Has the Company established the “Corporate Governance Best Practice Principle” and disclose information on this regulation?	V		At the resolution of the Board, the Company has established the “Corporate Governance Best Practice Principle” with disclosure at MOPS and the official website of the Company.	No difference.
II. Equity structure and shareholders’ equity of the Company				

Items for evaluation	State of implementation			variation from the Corporate Governance Best Practice Principle For TWSE/GTSM-listed Companies, and the reasons.
	Yes	No	Summary	
(I) Has the Company established internal procedure for handling suggestions, queries, disputes and legal actions of the shareholders, and proceeded in accordance with the procedure?	V		(I) The Company has appointed designated personnel to handle related matters. If there are specific issues involving legal problems, refer to the legal affairs department for action.	No difference.
(II) Is the Company in control of the list of dominant shareholders and the ultimate parties in control of the dominant shareholders?	V		(II) The Company commissioned a professional share registration and transfer agent to declare and disclose the list of ultimate parties in control of the major shareholders at regular intervals. The Company is also on good terms with the major shareholders and is in control at any time.	No difference.
(III) Has the Company set up and execute risk control and a firewall between itself and the subsidiaries?	V		(III) The Company has instituted regulations for tracking the operation of the subsidiaries and acts in accordance with the regulation.	No difference.
(IV) Has the Company established internal code to prohibit insiders to use information not yet disclosed in market for the trading of securities?	V		(IV) The Board of the Company has established the “Procedure for Handling Materiality and Prevention of Insider Trade” to regulate the conduct of insiders in securities trade.	No difference.
III. The organization and				

Items for evaluation	State of implementation			variation from the Corporate Governance Best Practice Principle For TWSE/GTSM-listed Companies, and the reasons.
	Yes	No	Summary	
(I) function of the Board Has the Board designed a wide array of policies on the basis of the composition of its members and properly pursued the policies?	V		(I) The members of the Board of the Company are experts from different disciplines for the proper pursuit of the diversity of Company policies.	No difference.
(II) Further to the establishment of a Remuneration Committee and Auditing Committee under law, has the Company established other functional committees voluntarily?		V	(II) At present, the Company does not voluntarily establish other functional committees.	Establish related functional committees in the near future to meet the needs of performing necessary function.
(III) Has the Company established regulations governing the evaluation of Board performance and the methods of evaluation, and conducted evaluation on the performance of the Board annually?		V	(III) The Company has established the regulation governing the evaluation of Board performance and conducts evaluation annually.	No difference.
(IV) Has the Company evaluated the status of independence of the certified public accountants retained by the Company at regular intervals?	V		(IV) The Company conducts self-assessment on the professional standing and state of independence of the certified public accountants retained for external audits once a year. As evaluated by the Accounting Department of the Company Fan You-Wei and Tai Hsin-Wei, CPAs from Deloitte Taiwan, meet the standard of the Company in the evaluation of	No difference.

Items for evaluation	State of implementation			variation from the Corporate Governance Best Practice Principle For TWSE/GTSM-listed Companies, and the reasons.
	Yes	No	Summary	
			independence (Note 1) and are competent in performing audit and certification for the Company with the issuance of declaration statement by their office (Note 2).	
IV. Have TWSE/GTSM-listed companies established full-time (part-time) positions or appointed full-time (part-time) personnel for handling corporate governance affairs (including but not limited to providing information necessary for the Directors and Supervisor to perform their duties, administering the convention of the Board and General Meeting of Shareholders and related matters, handling company registration and registration for change, keeping minutes of meetings for the Board and the General Meeting of Shareholders on record)?	V		The Company has appointed designated personnel to perform such duties.	No difference.
V. Has the Company established channels for communication with the stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and established a special zone for stakeholders at its official website for proper response	V		The Company has established channels for communication with the stakeholders at its official website, and has properly responded to the stakeholders on issues of concern in corporate social responsibility.	No difference.

Items for evaluation	State of implementation			variation from the Corporate Governance Best Practice Principle For TWSE/ GTSM-listed Companies, and the reasons.
	Yes	No	Summary	
to the stakeholders on issues of concern in corporate social responsibility?				
VI. Has the Company commissioned professional share registration and transfer agent for organizing the General Meetings of Shareholders.	V		The Company has commissioned the Registry and Transfer Services Department of KGI Securities to handle matters related to General Meetings of Shareholders	No difference.
VII. Disclosure (I) Has the Company installed its official website for disclosure of financial position, operations and corporate governance?	V		(I) The Company has disclosed the required materials at MOPS and also its official website.	No difference.
(II) Has the Company adopted other means of disclosure (such as the installation of a website in English, appointment of designated personnel for the gathering and disclosure of Company information, proper implementation of the spokesman system and placing the footage for recording institutional investors conferences)?	V		(II) The Company has appointed designated personnel for the gathering and disclosure of information, and also established the spokesman system for the release of information on financial position and operations of the Company.	
VIII. Is there any other vital information that helps to understand the pursuit of corporate governance by the Company (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education for the	V		(I) Employee Rights and Employee Care: As always, the Company treasures labor-management relations and is conceived with the concept that people are the assets of the Company. Likewise, the Company cares for	No difference.

Items for evaluation	State of implementation			variation from the Corporate Governance Best Practice Principle For TWSE/GTSM-listed Companies, and the reasons.
	Yes	No	Summary	
Directors and Supervisors, risk management policy and the standards for the assessment and measurement of risk, the pursuit of customer policy, the protection of Directors and Supervisors with professional liability insurance)?			the welfare of the employees in full effort, and protects the rights of the employees in accordance with the Labor Standard Act by setting up the Employee Welfare Committee with the practice of the pension fund system and also established a labor, health and safety management body under the law. The Company encourages the employees to participate in different training programs and studies on related technologies, take group insurance for the protection of the employees, and organizes regular physical examinations for the employees. (II) Investor Relations : The Company has appointed designated personnel to handle investor relations and has provided information for the investors at its official website so that investors can keep abreast of the operations of the Company. (III) Supplier Relations: As always, the Company is on good terms with the suppliers. (IV) Stakeholders' Rights: Stakeholders may engage	

Items for evaluation	State of implementation			variation from the Corporate Governance Best Practice Principle For TWSE/GTSM-listed Companies, and the reasons.
	Yes	No	Summary	
			in communication, give suggestion to the Company to maintain the rights under law. (V) Continuing education of the Directors and Supervisors The Directors and Supervisors of the Company will take necessary training and education such as corporate governance and internal control, corporate social responsibility and sustainable development and investment forum, investor relation, The function and rights of the Board and Supervisors, IFRSs, XBRL, and other practice in legal issues related to the accountant in charge, legal rules governing insider trade, and compliance. The status of continuing education will be posted at MOPS. (VI) Risk management policy and risk assessment standard in action: Conduct assessment on product market, external economic situation, and cash flow timely to reduce possible risks to the Company. (VII) The pursuit of customer policy: The Company installed the system for the	

Items for evaluation	State of implementation			variation from the Corporate Governance Best Practice Principle For TWSE/GTSM-listed Companies, and the reasons.
	Yes	No	Summary	
			management of customer orders and services so as to provide quick and convenient services to the customers. In addition, the Company also takes liability insurance on the products to protect the rights of the customers. (VIII) The status of protection of the Directors and Supervisors by taking liability insurance: The Company has taken liability insurance for the protection of the Directors and the Supervisors in 2016.	
(IX) Specify the result of the evaluation conducted by Taiwan Stock Exchange Corporation on corporate governance covering the most recent period as announced, and the status of correction action, and the priority for commitment of further efforts on matters with no corrective action taken. 1. The Company has established the seats for Independent Directors for reinforcing the structure of the Board as stated in the Articles of Incorporation. The nomination system is applied to the election of Independent Directors. In the election of the new Board of Directors and Supervisors held in the recent regular session of the General Meeting of Shareholders (2017), the nomination system is used with 2 candidates elected as Independent Directors. 2. For giving fair treatment to the shareholders, the Company provided the notice of regular session of the General Meeting, the parliamentary handbook for the shareholders, and the annual reports in English version for this year (2017). The annual report has been uploaded to the MOPS 7 days in advance, and the notice of meeting and the parliamentary handbook were released to MOPS simultaneously with the Chinese version. 3. For vitalization the operation of the Board, the Company intensified its communication with the Chief Internal Auditor and the external auditors after the Independent Directors were elected by the General Meeting of Shareholders in the regular session in 2017 and assumed office, and disclosed the details of communication at the official website of the Company. 4. For enhancing the transparency of information, the Company elected to disclose its interim report in English and planned to prepare web pages in English including the supply of information on financial position, operation, and corporate governance.				

Note 1: Standard for the assessment of the independence of external auditors.

Article 47 of the Certified Public Accountants Act and Ethical Code of Conduct for Certified Public Accountants No. 10 have been consulted for establishment:

Items	Result
1, There is no incident that the Company did not make replacement for the last 7 years to the date of the last certification .	☒ Yes ☐ No
2. No significant financial interest with the the client.	☒ Yes ☐ No
3. Avoid any unjustified relation with the client.	☒ Yes ☐ No
4. The certified public accountants shall assure their staff and assistants to observe the code of honesty, fairness, and independence.	☒ Yes ☐ No
5. No audit on the financial statements of the institution which was the employer in the last 2 years before assuming the duties as certified public accountant	☒ Yes ☐ No
6. Do not permit a third party to use your title of certified public accountants.	☒ Yes ☐ No
7. No holding of the shares issued by the Company and its affiliates.	☒ Yes ☐ No
8. No lender-borrower relation with the Company and its affiliates.	☒ Yes ☐ No
9. No joint investment or shareing benefits with the Company or its affiliates.	☒ Yes ☐ No
10. No engagement in routine duties with payment of regular salary with the Company or its affiliates.	☒ Yes ☐ No
11. No involvement in the function of decision-making with the Company or its affiliates	☒ Yes ☐ No
12. No engagement in any other business that may hamper the status of independence.	☒ Yes ☐ No
13. Not a spouse, next of kin, kindred through marriage or within the 2nd tier of the Civil Code.	☒ Yes ☐ No
14. No acceptance of commission related to business.	☒ Yes ☐ No
15. No penalty or incident that affected the principle of independence for the time being.	☒ Yes ☐ No
Assessment result: the findings from the aforementioned assessment indicated that the certified public accountants meet the standard of independence and objectivity.	

Note 2: Declaration of Deloitte Taiwan

4. The establishment of Remuneration Committee by the Company, its organization, function,

and operation:

(1) Profile of the members of the Remuneration Committee

Identity	Condition Name	More than 5 years of work experience And the following professional qualifications			Conformity to the status of independence (note)								Independent Directors of other public companies	Remarks
		Lecturer of public and private universities in commerce, law, finance and banking, accounting, or other related disciplines required by the Company in business operations or higher positions.	Professional and technical personnel passing national examinations with license as court judge, public prosecutor, accountant or other areas of specialization required by the Company in business operations.	Necessary work experience in commerce, legal affairs, finance and banking, accounting of other areas required by the Company in its business operations.	1	2	3	4	5	6	7	8		
Others	Wu Ching-Sung	V			V	V	V	V	V	V	V	V	0	-
Others	Liang Yi-Hung	V			V	V	V	V	V	V	V	V	0	-
Others	Kao Chi-Chien	V			V	V	V	V	V	V	V	V	3	-

Note: The members meet the following conditions two years prior to their assumption of office and during their term of office

- (1) Not an employee of the Company or its affiliates.
- (2) Not a Director or Supervisor of the Company or its affiliates except independent director of established a company by the Company or its parent company, subsidiary under this law or other applicable laws in the host countries.
- (3) Not a shareholder of more than 1% of the outstanding shares of the Company by himself, spouse, underage children or under the name of a third party, or a natural person shareholder among the Top 10 shareholders.
- (4) Not a spouse, relative within the 2nd tier under the Civil Code, or relative within the 3th tier of direct blood line under the Civil Code of the parties mentioned in the preceding 3 paragraphs.
- (5) Not a Director, Supervisor, or employee of an institutional shareholding company directly holding more than 5% of the outstanding shares of the Company or a Director, Supervisor or employee of the Top 5 institutional shareholders.
- (6) Not a Director, Supervisor, manager or shareholder holding more than 5% of the stakes in a particular company or entity with financial or business relationship with the Company.
- (7) Not a proprietor, partner, Director, Supervisor, manager or spouse of the professional firm, sole proprietorship, partnership, company or business entity providing commercial, legal, financial or accounting services or consultation to the Company or its affiliates.
- (8) Article 30 of the Company Act is not applicable.

(2) Information on the function of the Remuneration Committee

I. The Remuneration Committee of the Company consists of 3 members.

II. Tenure of the members for current term: 2017.6.19 ~ 2020.6.18

The Remuneration Committee has convened twice in the most recent period (A). The qualifications of the members and their attendance to the meetings of the committee is shown below:

Title	Name	Attendance in person (B)	Attended by proxy	Attendance rate (B/A)	Remark
Convener	Wu Ching-Sung	2	-	100%	
Member	Liang Yi-Hung	2	-	100%	
Members	Kao Chi-Chien	2	-	100%	
Important notes: I. There is no recommendations from the Remuneration Committee being rejected or revised by the Board of the Company. II. If there is any adverse opinion or qualified opinions on record or in a written declaration on the resolutions of the Remuneration Committee, specify the date of the meeting, the session, the content of the motions, the opinions of all members and the responses to the opinions of the members: No.					

Practice of corporate social responsibility

Items for evaluation	State of implementation			Variations from the Corporate Social Responsibility Best Practice Principle for TWSE/GTSM-listed Companies and the reasons
	Yes	No	Summary	
I. Pursuit of Corporate Governance				
(I) Has the Company instituted the policy or system of corporate social responsibility with a review on the effectiveness of the policy or system?		V	(I) The Company has not yet established the principles or guidelines for corporate social responsibility. However, the Company will continue to perform its corporate social responsibility.	(I) The Company will establish such functional unit as needed.
(II) Has the Company organized training on corporate social responsibility at regular intervals?		V	(II) The Company has not yet organized training in corporate social responsibility at regular intervals. However, the Company will continue to perform its corporate social responsibility.	
(III) Has the Company established a designated body on a full-time (part-time) basis for the advocacy of corporate social responsibility headed by a senior officer with the empowerment of the Board and accountable to the Board on the performance of its duties?		V	(III) The Company has not yet established a related functional unit. However, the Company will continue to perform its corporate social responsibility.	
(IV) If the remuneration	V		(IV) The remuneration policy of	

Items for evaluation	State of implementation			Variations from the Corporate Social Responsibility Best Practice Principle for TWSE/GTSM-listed Companies and the reasons
	Yes	No	Summary	
policy of the Company reasonably made in combination of the employee performance evaluation system and corporate social responsibility policy, and a system of clear-cut rewards and punishments in place?			the Company has not yet been combined with its corporate social responsibility policy. However, the Company will continue to perform its corporate social responsibility.	
II. Sustainability of the environment				
(I) Has the Company committed its efforts in improving the efficient use of all materials and used recycled materials to mitigate impact on the environment?	V		(I) The Company has commissioned a licensed institution for the cleanup of wastes to recycle and refuse dumps.	No difference.
(II) Has the Company established an environmental management system relevant to the characteristics of the industry?	V		(II) The Company has compiled its labor safety and health handbook and has made an effort in the protection of the work environment and the natural environment under the law.	No difference.
(III) Has the Company paid attention to the effects of climate change on its operation, and	V		(III) The Company has compiled its labor safety and health handbook and has made efforts in the protection of the working environment	No difference.

Items for evaluation	State of implementation			Variations from the Corporate Social Responsibility Best Practice Principle for TWSE/GTSM-listed Companies and the reasons
	Yes	No	Summary	
conducted inspections on the emission of greenhouse gas, mapped out its strategy of carbon reduction and reduced emission of greenhouse gases?			and the natural environment under the law.	
III. Social charity				
(I) Has the Company established related management policies and procedures in accordance with applicable laws and the International Convention on Human Rights?	V		(I) The Company has consulted applicable laws and the International Convention on Human Right and has established related policies and procedures accordingly.	No difference.
(II) Has the Company established the mechanism and channels for the employees in filing complaints and proper handling complaints from the employees?	V		(II) The Company has established the channels for employees in filing complaints and properly responded to such complaints.	No difference.
(III) Has the Company provided a safe and healthy work environment for the employees, and provided education for the employees on labor safety and health at regular intervals?	V		(III) The Company has compiled the labor safety and health handbook and set up a functional unit in charge of labor safety and health. In addition, education on labor safety and health has been arranged at regular intervals.	No difference.

Items for evaluation	State of implementation			Variations from the Corporate Social Responsibility Best Practice Principle for TWSE/GTSM-listed Companies and the reasons
	Yes	No	Summary	
(IV) Has the Company developed the function for routine communication with the employees, and notified the employees of any change in the operation that may cause significant influence on the employees?	V		(IV) The Company has organized routine announcement to advocate essential policies of the Company and spared no effort in hearing the voices of the employees and satisfying their needs at workplace.	No difference.
(V) Has the Company established programs for the career development and training of the employees?	V		(V) The Company has established programs for the employees in career development and training.	No difference.
(VI) Has the Company established the policies and procedures for the protection of the rights of consumers in the domains of research and development, procurement, production, operation, and service process?	V		(VI) The Company has established the policies and procedures for the protection of the rights of consumers in the domains of research and development, procurement, production, operation, and service process.	No difference.
(VII) Has the Company complied with applicable laws and international standards in the marketing and labeling of products and	V		(VII) The Company has complied with applicable laws and international standards in the marketing and labeling of products and services.	No difference.

Items for evaluation	State of implementation			Variations from the Corporate Social Responsibility Best Practice Principle for TWSE/GTSM-listed Companies and the reasons
	Yes	No	Summary	
services? (VIII) Before engaging in business transactions with suppliers, did the Company evaluate the suppliers on any record of impact on the environment and the society?	V		(VIII) Before engaging in business transactions with suppliers, the Company evaluated the suppliers on any record of impact on the environment and the society.	No difference.
(IX) Did the contracts binding the Company and suppliers contain clauses on the discharge of agreements at any times if the suppliers were founded in defiance of corporate social responsibility policy and has significant impact on the environment and the society?	V		(IX) The contracts binding the Company and major suppliers contain clauses on the discharge of agreements at any times if the suppliers were founded in defiance of corporate social responsibility policy and has significant impact on the environment and the society.	No difference.
IV. Improvement of disclosure (I) Has the Company disclosed relevant and reliable information on corporate social responsibility at its official website and MOPS?		V	(I) The Company has not yet disclosed any information on corporate social responsibility.	The Company will disclose such information as needed.
V. If the Company has established the corporate social responsibility best practice principle in accordance with the “Corporate Social Responsibility Best Practice Principle for TWSE/GTSM-listed Companies”, specify the status of implementation and the variation				

Items for evaluation	State of implementation			Variations from the Corporate Social Responsibility Best Practice Principle for TWSE/GTSM-listed Companies and the reasons
	Yes	No	Summary	
with the principle: No.				
VI. Any other important information that may help to understand the performance of corporate social responsibility. (I) The Company has commissioned a designated institution for the cleanup of dumps, containers, and recycling, and spared no effort in companywide environmental protection. (II) The Company makes regular donations to the local town office and the fire service and police as feedback to society. The Company has also established the Anderson Education Foundation for making regulate donations to help the social vulnerable groups, organized perpetual events for education purpose so as to create a natural and free living environment for the handicapped with a blue sky and green land and a life of dignity. This is the manifestation of our corporate social responsibility. (III) The Foundation has organized rehabilitation programs through horticulture to help people alleviate the barrier internal to them through the power of nature and plants. (IV) The Foundation has organized a course for traditional drumming, and invited the Blue Star Boy Scouts Group to practice and drill at the Lin Kou Farm of the Foundation. (V) The Foundation has organized events at Blue Star Sports Park for helping people in managing interpersonal relations and adaptation to the society, development of personal potentials and confidence, and upgrade sports skills and recreation. (VI) The Company has taken group insurance for the protection of the employees, and has compiled a labor safety and health handbook, established a designated body for the management of labor, health and safety with routine educational programs on safety and health. (VII) The Company has organized the “ 2017 Hou Long Cup Road Running for Charity” event on April 30 2017. This aimed at the promotion of sports and tourism. In addition, the Company appropriated 10% of the registration fee for the schools in Hou Long for the development of sports and as saving for the schools to help the students of social vulnerable groups in schooling. This made road running more meaningful and embracing.				
VII. If the corporate social responsibility report of the Company has been accredited by concerned institutions, specify the details: The Company has been accredited with ISO-9001 and AMTRI, safety directive of CE for machinery imported to EU.				

6. Pursuit of ethical corporate management.

Items for evaluation	Pursuit			Variations with the Ethical Corporate Management Best Practice Principle for TWSE/GTSM-listed Companies, and the reason
	Yes	No	Summary	
I. The establishment of ethical corporate management policy and procedures				
(I) Has the Company explicitly stated its ethical corporate management policy and practices in its internal code and external documents, and the Board and the management of the Company has made positive effort for fulfilling the commitment to ethical corporate management?	V		(I) The Board of the Company has resolved to establish the “Ethical Corporate Management Best Practice Principle” whereby Directors, managers, and employees shall duly observe applicable laws. This regulation has been posted at MOPS and the official website of the Company.	No difference.
(II) Has the Company mapped out the policy for the prevention of unethical practices with the specification of the operating procedure, code of conduct, punishment and complaint systems in the policy with the proper pursuit of the policy?	V		(II) The Board of the Company resolved to establish the “Ethical Corporate Management Best Practice Principle” and the “Code of Conduct”, which have been posted at MOPS and the official website of the Company.	No difference.
(III) Has the Company taken precautions to govern business activities under the high risk of unethical practices as stated in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principle for TWSE/GTSM-listed Companies” or within its scope of operation?	V		(III) The Company has taken pre-cautions to govern business activities under high risk of unethical practices as stated in Article 7, Paragraph 2 of the “Ethical Corporate Management	No difference.

Items for evaluation	Pursuit			Variations with the Ethical Corporate Management Best Practice Principle for TWSE/GTSM-listed Companies, and the reason
	Yes	No	Summary	
			Best Practice Principle for TWSE/GTSM-listed Companies” or within its scope of operations through the establishment of the “Ethical Corporate Management Best Practice Principle” and code of conduct.	
II. Implementation of ethical corporate management				
(I) Has the Company evaluated the business partners on their record of business integrity, and has explicitly stated the clause of ethical corporate management in the agreements binding the Company and its business partners?	V		(I) The Company has evaluated the business partners on their record of business integrity, and has explicitly stated the clause of ethical corporate management in the agreements binding the Company and its business partners.	No difference.
(II) Has the Company established a full-time (part-time) designated body under the Board for the advocacy of ethical corporate management with routine report to the Board of the status of implementation?	V		(II) HR Department of the Company is the designated part-time body under the Board for the advocacy of ethical corporate management.	No difference.
(III) Has the Company mapped out the policy for the avoidance of conflict of interest and established the channels for expression and properly implemented such systems?	V		(III) The Board of the Company resolved to establish the “Ethical Corporate Management Best Practice Principle” for the avoidance of	No difference.

Items for evaluation	Pursuit			Variations with the Ethical Corporate Management Best Practice Principle for TWSE/GTSM-listed Companies, and the reason
	Yes	No	Summary	
(IV) Has the Company established an effective accounting system and internal control system for the proper performance of ethical corporate management with routinize examinations by internal auditors or external auditors from CPA firms?	V		conflict of interest and established the channels for expression, and properly implemented such systems. (IV) The Board of the Company resolved to establish the “Ethical Corporate Management Best Practice Principle” and effective accounting system and internal control system for the proper performance of ethical corporate management with routinize examination by internal auditors and external auditors from CPA firms.	No difference.
(V) Has the Company organized internal and/or external training on ethical corporate management at regular intervals?		V	(V) The Company has not yet organized internal and/or external training on ethical corporate management at regular intervals.	The Company will establish such functions as needed.
III. The reporting of unethical practice in the Company				
(I) Has the Company established the system for reporting of unethical practices with reward, and channels for the convenience of reporting, and has appointed designated personnel for the investigation of the persons being reported?	V		(I) The Board of the Company has resolved to establish the “Ethical Corporate Management Best Practice Principle” and established the system for reporting of unethical practices with	No difference.

Items for evaluation	Pursuit			Variations with the Ethical Corporate Management Best Practice Principle for TWSE/GTSM-listed Companies, and the reason
	Yes	No	Summary	
(II) Has the Company established the standard operating procedure for processing reports and related confidentiality in the operations?	V		(II) reward, and channels for the convenience of reporting, and has appointed designated personnel for the investigation of the persons being reported. The Board of the Company resolved to establish the “Ethical Corporate Management Best Practice Principle” and established the standard operating procedure for processing reports and related to confidentiality in the operations.	No difference.
(III) Has the Company taken any measures for the protection of the informants from improper treatment?	V		(III) The Board of the Company has resolved to establish the “Ethical Corporate Management Best Practice Principle” and taken measures for the protection of the informants from improper treatment.	No difference
IV. Improvement of disclosure (I) Has the Company disclosed the contents of its ethical corporate management practices and the effects of its implementation at its official website and MOPS?		V	(I) The Company has disclosed the content of its ethical corporate management practice and but not yet on the effect of implementation at its official website and MOPS.	The Company will disclose the effects of implementation as needed.

Items for evaluation	Pursuit			Variations with the Ethical Corporate Management Best Practice Principle for TWSE/GTSM-listed Companies, and the reason
	Yes	No	Summary	
V.	If the Company has established its Ethical Corporate Management Best Practice Principle in accordance with the “Ethical Corporate Management Best Practice Principle for TWSE/GTSM-listed Companies”, specify the state of pursuit and variations from the principle: no difference.			
VI.	Any other essential information that helps to understand the performance of ethical corporate management: (such as the routine review and revision of the Ethical Corporate Management Best Practice Principle). (I) The Company duly observes the Company Act, Securities and Exchange Act, Business Entities Accounting Act, other applicable laws governing TWSE/GTSM-listed companies as the foundation for the performance of ethical corporate management. (II) The Company has established the system for the avoidance of the conflict of interest for the Directors in the “Parliamentary Procedure of the Board”. If specific motion is related to the interest of specific director, such director shall be excused from the motions for the avoidance of the conflict of interest.			

7.The inquiry of the Ethical Corporate Management Best Practice Principle and related rules and regulations: the Company has established the Ethical Corporate Management Best Practice Principle containing 48 articles and accessible through the following path of the website specified below: Home pageInvestors and corporate social responsibility Articles of Incorporation and operating procedures Ethical Corporate Management Best Practice Principle at <http://www.anderson.com.tw/responsibility.asp> for the reference of shareholders.

8.other essential information that helps to understand the performance of ethical corporate management: No.

9. The pursuit of internal control system

(1) Declaration of Internal Control

Anderson Group
Declaration of Internal Control System

Date: March 31 2017

We have conducted internal audits in accordance with its Internal Control Regulation covering the period from January 1 to December 31 2016, and hereby declares as follows.

- I. The company acknowledges and understands that, the establishment, enforcement and preservation of internal control system is the responsibility of the Board and the managers, and that the company has already established such system. The purpose it to reasonably ensure the effectivity and efficiency of operation (including profitability, performance and security of assets), the reliability of financial reporting and the compliance with relevant legal rules.
- II. There is limitation inherent to internal control system, no matter how perfect the design. As such, an effective internal control system may only reasonably ensure the achievement of the aforementioned goals. Further, the operating environment and situation may vary and hence the effectiveness of the internal controls system. The internal control system of the company features the self-monitoring mechanism. Once identified, any shortcoming will be corrected immediately.
- III. The company judges the effectiveness of the internal control system in design and enforcement in accordance with the “Criteria for the Establishment of Internal Control System of Public Offering Companies” (hereinafter referred to as “the Criteria”). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control are composed by five elements, namely, 1.control environment, 2. Risk Evaluation, 3. Control Operation, 4. Information and Communication, and 5. Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.
- IV. The company has adopted the aforementioned internal control system for internal audit on the effectiveness of the design and enforcement of the internal control system.
- V. Basing on the aforementioned audit findings, the company holds that it has reasonably preserved the achievement of the aforementioned goals within the aforementioned period of internal control and as of December 31 2016 (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective.
- VI. This statement of declaration shall form an integral part of the annual report and prospectus on the company and will be announced. If there is any fraud, concealment or unlawful practice discovered in the contents of the aforementioned information, the company shall be liable for legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
- VII. This statement of declaration has been approved by the Board on March 31 2017 with the presence of 6 directors of whom none holds an adverse opinion and expressed common consent on the contents of this statement.

Anderson Group

Chairman: Johnny Liao (sd)

General Manager: Simon Lin

(2) Disclose the Auditor's Report if a certified public accountant is retained to conduct internal audit: no.

10. The Company and its personnel punished by law, the penalty of Company and its personnel for acting in defiance of the internal control system, major defects and state of corrective action in the most recent year (2016) to the date this report was printed: No.

11. Major resolutions of the General Meeting of Shareholders and the Board in the most recent year (2016) to the date this report was printed.

(1) General Meeting of Shareholders

Date of meeting	Summary of major motions.	Resolutions	State of implementation
2016.06.06	1. Ratification of the Operation Highlight and financial statements in 2015. 2. Appropriation for write-off carryforward losses. 3. Amendment to the "Articles of Incorporation" in part. 4. Proposal for appropriation of additional paid-in capital for payment of cash dividends.	Passed by all shareholders in session in common consent. Passed as proposed by all shareholders in session in common consent Passed as proposed by all shareholders in session in common consent Passed as proposed by all shareholders in session in common consent	Acted in accordance with the resolved operating procedures. Acted in accordance with the resolved operating procedures. Acted in accordance with the resolved operating procedures. The dividend day is set on July 3 2016 with cash dividends paid in July.

(2) The Board

Date of meeting	Summary of major motions	Resolutions
2016.05.10	1. The motion on the institution of "Regulation Governing Financial Transaction Among the Affiliates". 2. The motion of endorsement/guarantee of indirect subsidiary of Monforts CNC Werkzeugmaschinen-technik GmbH. 3. The motion on the liquidation of subsidiary Digital Photonics. 4. The motion on the liquidation of subsidiary Anderson Industrial (Hong Kong) Ltd.	Passed as proposed by all Directors in session in common consent.
2016.06.06	1. Determination of the dividend day paid in cash from additional paid-in capital and the day of release.	Passed as proposed by all

Date of meeting	Summary of major motions	Resolutions
	2. The purchase of land and plant in the USA. 3. Changes in the acting spokesman of the Company. 4. Changes in the Chief Internal Auditor of the Company. 5. Cancellation of Guarantee/Endorsement in favor of indirect subsidiary Monforts CNC Werkzeugmaschinen-technik GmbH. 6. Financing to indirect subsidiary Monforts CNC Werkzeugmaschinen-technik GmbH	Directors in session in common consent. The motion was passed as proposed by all shareholders in session in common consent.
2016.06.22	1. Disposition of the equity shares of Parpro Quality Inc. in whole.	Chairman Johnny Liao and Director Hsu Shan-Ko are Directors of Pilot Electronics, while Johnny Liao is the deputy agent of Yun Yung Investment. They are excused from participation in the motion for the avoidance of a conflict of interest. The motion was passed as proposed by all shareholders in session in common consent.
2016.08.15	1. Donation to Anderson Education Foundation 2. Reshuffle of the managers in the Company and the appointment of consultants. 3. The institution of internal control system for the Company – “Other Operation Control”, “Procedure for Implementation of Internal Audit”, “Procedure for Self-Assessment of Internal Control”, “Regulation Governing Liability Commitment and Contingency”, and “Regulation Governing Financial and Non-Financial Information”. 4. The amendment to the “Corporate Social Responsibility Best Practice Principle” of the Company.	Motion No. 1: Simon Lin is a Director of the Foundation. Wang Chan-Hsiung is the CEO of the Foundation. They are excused from the participation in the motion for the avoidance of the conflict of interest. The motion was passed as proposed by all shareholders

Date of meeting	Summary of major motions	Resolutions
		in session in common consent.
2016.11.11	1. Amendment to the “Ethical Corporate Management Best Practice Principle” of the Company. 2. Amendment to the “Regulation Governing Financial and Business Transactions Among Affiliates” of the Company. 3. Revision of the internal control system and the regulation governing the operation. 4. Internal Audit Plan for 2017.	Passed as proposed by all Directors in session in common consent.
2016.12.08	1. Operation Plan for 2017	Passed as proposed by all Directors in session in common consent.
2017.02.10	1. The remuneration and year-end bonus to the managers and employees of the Company. 2. Amendment to the “Articles of Incorporation” of the Company in part. 3. Amendment to the “Parliamentary Procedure of General Meeting of Shareholders” in part. 4. Amendment to the “Procedure for Loaning of Funds” of the Company in part. 5. Amendment to the “Regulation Governing Specimen Seal” and “Regulation Governing Financial Instruments”. 6. Acquisition of the assets from Matec Maschinenbau GmbH of Germany.	Motion No. 1: Director Simon Lin is a recipient of the aforementioned remuneration and was excused from participation in the motion to avoid a conflict of interest. The motion was passed as proposed by all shareholders in session in common consent.
2017.03.28	1. Appropriation of Remuneration to employees and Directors and Supervisor in 2016. 2. Ratification of the separate financial statements in 2016. 3. Ratification of the consolidated financial statements and operation highlight of 2016. 4. Distribution of earnings in 2016. 5. Distribution of additional paid-in capital as cash	Motion No. 18: Director Wang Chan-Hsiung is the CEO of the Foundation and was excused from the participation in the motion to avoid the conflict of interest. The

Date of meeting	Summary of major motions	Resolutions
	dividend. 6. Self-Assessment in internal audit of 2016. 7. Amendment to the “Regulation Governing Salary Payment to Directors and Supervisors” in part. 8. Calling for the General Meeting of Shareholders in 2017. 9. Election of Directors, Independent Directors, and Supervisors. 10. Removal of non-competition requirements for the newly elected Directors (including Independent Directors) and their representatives. 11. Financing to subsidiary SOGOTEC. 12. Amendment to the motion for the acquisition of assets from Matec Maschinenbau GmbH of Germany and related use of funds. 13. Financing to subsidiary Anderson Europe GmbH 14. Guarantee/endorsement in favor of indirect subsidiary MATEC GmbH. 15. Amendment to the “Procedure for Acquisition and Disposition of Assets” in part. 16. The amount of year-end bonus actually released to the managers in 2016. 17. Remuneration to the managers of subsidiary SOGOTEC. 18. Donation to Anderson Education Foundation.	motion was passed as proposed by all shareholders in session in common consent.
2017.03.31	1. Appropriation of remuneration to the employees and Directors and Supervisors in 2016. 2. Ratification of separate financial statements in 2016. 3. Ratification of the consolidated financial statements and operation highlight of 2016. 4. Distribution of earnings in 2016. 5. Distribution of additional paid-in capital as cash dividend. 6. Self-Assessment in internal audit of 2016. 7. Institution of the “Regulation Governing the Criteria and Procedure for the Nomination of Independent Directors” of the Company. 8. Supplementary notes to the nomination of Independent Directors of the Company.	Passed as proposed by all Directors in session in common consent.
2017.04.07	1. Financing to indirect subsidiary MATEC GmbH.	Passed as

Date of meeting	Summary of major motions	Resolutions
		proposed by all Directors in session in common consent.

12. Adverse opinions of the Directors or Supervisors on major resolutions of the Board on record or in written declaration in the most recent year (2016) to the date this report was printed and the summary of the opinion: No.

13. Resignation or relief of Chairman, General Manager, chief accounting officer, chief financial officer, chief internal auditor and chief R&D officer of the Company in the most recent year (2016) to the date this report was printed:

2017.04.21

Title	Name	Date of office	Date of relief from office	Reason of resignation or relief
Chief Strategic Officer	Steve Sheng	19920803	20160630	Retired
Asst Vice President	Liu Chia-Hsun	20140901	20170217	Resigned for personal career planning

IV. Information on service charge for the CPAs

Unit: NTD1,000

Name of CPA firm	CPA Name	Auditing fee	Non-auditing fee					Examination period	Remark
			System design	Business registration	Human Resources	Others	Subtotal		
Deloitte Taiwan	Fan You-Wei, Tai Hsin-Wei	NTD 3,800	-	-	-	NTD 50	NTD 50	20160101~20161231	The others are written opinions on the stock price and the advance.

1. If the payment for service charge to the CPAs and CPA firms retained for financial auditing and certification for non-auditing service accounted for more than one-quarter of the service

charge for auditing service: the service charge for non-auditing service of the Company accounted for 36.57% of the service charge for auditing service.

2. If the payment to the CPA firm for auditing service is less after the replacement of a CPA firm, explain the amount of payment before and after replacement, and the reason for the change: not applicable.
3. The service charge for auditing service is less than the previous year by more than 15%: not applicable.

V. Information on replacement of external auditors

Not applicable.

VI. The Chairman, General Manager, Vice President or managers in accounting affairs have been employed by the CPA firm retained for auditing or certification service or by its affiliates in the most recent year: No.

VII. Transfer of shares or pledge of shares under lien by Directors, Supervisors, managers, and shareholders holding more than 10% of the Company shares

1. Transfer of shares by Directors, Supervisors, managers, and major shareholders

title	Name	2016		2017 to April 21	
		Quantity of shareholding Change	Quantity of shares under lien Change	Quantity of shareholding Change	Quantity of shares under lien Change
Chairman	Johnny Liao	-	-	-	-
Director	Yun Yung Investment Co., Ltd. Representative: Simon Lin	-	-	-	-
Director	Hsu Shan-Ko	-	-	-	-
Director	Ko Chang-Chu	-	-	-	-
Director and Chief Strategic Officer	Steve Sheng	-	-	120,000	-
Director	Lee Chang-Feng	-	-	-	-
Director	Wang Chan-Hsiung	-	-	-	-
Supervisor	Chu Yung-Ta	6,000	-	186,000	-
Supervisor	Lee Huei-Chin	-	-	-	-
General Manager	Simon Lin	-	-	-	-
General Manager in Greater China	Speed Lin	-	-	-	-
Vice President	Tommy Lee	-	-	-	-
Chief Financial Officer	Daphne Huang	-	-	-	-
Chief Financial Officer in Europe and America	Angela Wang	-	-	-	-
Asst Vice President	Jim Liu	-	-	-	-
Asst Vice President	Herman Tsui	-	-	-	-
Shareholders	Pilot Electronics	-	-	-	-

holding more than 10% of the stakes	Corporation				
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2. The counterparty of share transfer is a related party: No.
3. The lien holder of shares pledged is a related party: No.

VIII. Shareholders among the top 10 by shareholding, and information of the relation among these shareholders

2017.04.21

Name (Note 1)	Self Quantity of shareholdings		Spouse and underage children Quantity of shareholdings		Shareholdings under the name of a third party in totality Quantity of shareholding		The top 10 shareholders are related to one another as a related party, spouse, relative within the 2nd tier under the Civil, the names and relation. (Note 3)		Remarks
	Quantity of shares	Proportion of shareholdings	Quantity of shares	Proportion of shareholdings	Quantity of shares	Proportion of shareholdings	Title (or name)	Relation	
Pilot Electronics Corporation Representative: Johnny Liao	24,000,000	13.33%	-	-	-	-	Johnny Liao	Deputy agent	
Yun Yung Investment Co., Ltd. Representative: Johnny Liao	20,000,000	11.11%	-	-	-	-	Johnny Liao	Deputy agent	
Tzer Ming Investment Co., Ltd. Representative: Hsieh Chi-Jen	8,758,454	4.87%	-	-	-	-	No	No	
Huang Yuan	8,070,536	4.48%	-	-	-	-	Wang Ying-Chia	Mother and daughter	
							Wang Hsuan-Fu	Mother and son	
							Wang Wei-Lung	Mother and son	
Huang Yu-Yun	4,250,590	2.36%	-	-	-	-	No	No	
Yang Yue-Hua	3,516,481	1.95%	-	-	-	-	No	No	
Anderson Group Representative: Johnny Liao	3,669,000	2.04%	-	-	-	-	Johnny Liao	Deputy agent	Note 4
Wang Ying-Chia	2,314,183	1.29%	-	-	-	-	Huang Yuan	Mother and daughter	
							Wang Hsuan-Fu	Brother and sister	
							Wang Wei-Lung	Brother and sister	
Pai Deh Investment Co., Ltd. Representative: Johnny Liao	2,350,000	1.31%	-	-	-	-	Johnny Liao	Deputy agent	
Wang Hsuan-Fu	2,254,582	1.25%	-	-	-	-	Huang Yuan	Mother and	

								son	
							Wang Ying-Chia	Brother and sister	
							Wang Wei-Lung	Brothers	
Wang Wei-Lung	2,149,098	1.19%	-	-	-	-	Huang Yuan	Mother and son	
							Wang Ying-Chia	Brother and sister	
							Wang Hsuan-Fu	Brothers	

Note 1: List out the top 10 shareholders. For institutional shareholders, provide the institutional name and the name of the representative separately.

Note 2: The calculation of the proportion of shareholders shall include the holding by the person himself, the spouse, underage children and under the name of the third party in total .

Note 3: the aforementioned shareholders for disclosure shall include institutional shareholders and natural persons. The relationships of these shareholders shall be disclosed in accordance with the Criteria for Compilation of Financial Statements by Securities Issuers.

Note 4: Shares of the Company re-purchased under the law are planned for assignment to employees in the future.

IX. The holding of shares by a particular investee in enterprises directly or indirectly controlled by the Company, the Directors, Supervisors, Managers of the Company, and the holding in total

2017.04.21
Unit: 1,000 shares

Investees (Note 1)	Invested by the Company		Direct or indirect investments of the Directors, Supervisors or directly or indirectly controlled by		Overall investments	
	Quantity of shares	Proportion of shareholdings	Quantity of shares	Proportion of shareholdings	Quantity of shares	Proportion of shareholdings
Anderson Hong Kong	300	100%	-	-	300	100%
Anderson Germany	Note 2	100%	-	-	Note 2	100%
Anderson America Corporation	1	100%	-	-	1	100%
Zhong Deh Industrial Co., Ltd.	Note 2	100%	-	-	Note 2	100%
You Deh Machinery	Note 2	100%	-	-	Note 2	100%
Sheng Deh Investment	22,000	100%	-	-	22,000	100%
SOGOTEC	10,595	70.63%	4,292	28.62%	14,887	99.25%
Anderson Merchandise Corporation	5,000	100%	-	-	5,000	100%
Vertie Corporation	Note 2	-	Note 2	50%	Note 2	50%
Giben Holdings Co.Ltd.(BVI)	10	100%	-	-	10	100%
Giben Holdings Co. Ltd.(SAMOA)	10	100%	-	-	10	100%
Giben America, Inc.	-	-	Note 2	100%	Note 2	100%
Giben do Brasil Maquinas e Equipamentos Ltd.	-	-	Note 2	100%	Note 2	100%
Chengdu Zhongde	-	-	Note 2	67%	Note 2	67%
A. Monforts Werkzeugmaschinen GmbH & Co. KG(Monforts GmbH)	Note 2	-	Note 2	100%	Note 2	100%
SOGOTEC Shanghai	Note 2	-	Note 2	100%	Note 2	100%
MATEC GmbH	Note 2	-	Note 2	100%	Note 2	100%

Note 1: Investments of the Company accounted for under the equity method.

Note 2: limited liability company

FOUR. Status of capital

I. Capital and shares

1. Source of capital

(1) Outstanding shares

Unit: NTD; share

YYY Y MM	Offering Price (face value)	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital	Investme nts in considerat ion of other properties in lieu of cash	Others
1993. 12	10	12,100,000	121,000,000	12,100,000	121,000,000	Capital raised in combination of NTD 53,000,000 into new shares	-	-
1994. 03	10	14,047,000	140,470,000	14,047,000	140,470,000	Raising capital of NTD 19,470,000 by offering new shares	-	-
1994. 09	10	17,047,000	170,470,000	17,047,000	170,470,000	Raising capital of NTD 30,000,000 by offering new shares	-	-
1995. 06	10	18,726,000	187,260,000	18,726,000	187,260,000	Raising capital of NTD16,790,000 by offering new shares	-	-
1996. 03	10	19,650,000	196,500,000	19,650,000	196,500,000	Raising capital of NTD9,240,000 by offering new shares	-	-
1996. 06	10	26,650,000	266,500,000	26,650,000	266,500,000	Raising capital of NTD70,000,000 by offering new shares	-	-
1997. 07	10	35,000,000	350,000,000	31,000,000	310,000,000	Capitalization of retained earnings of NTD35,505,000 into new shares Capitalization of additional paid-in capital of NTD7,995,000 into new shares	-	-

YYY Y MM	Offering Price (face value)	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital	Investme nts in considerat ion of other properties in lieu of cash	Others
1998. 07	10	70,000,000	700,000,000	47,500,000	475,000,000	Capitalization of retained earnings of NTD34,000,000 into new shares Capitalization of additional paid-in capital of NTD31,000,000 into new shares Raising capital of NTD 100,000,000 by offering new shares	-	Note 1
1999. 09	10	70,000,000	700,000,000	54,900,000	549,000,000	Capitalization of retained earnings of NTD17,000,000 and Capitalization of additional paid-in capital of NTD57,000,000 into new shares	-	Note 2
1999. 12	10	70,000,000	700,000,000	61,900,000	619,000,000	Raising capital of NTD70,000,000 by offering new shares 70,000,000	-	Note 3
2000. 12	10	71,900,000	719,000,000	71,900,000	719,000,000	Capitalization of retained earnings of NTD44,290,000 into new shares Capitalization of additional paid-in capital of NTD55,710,000 into new shares	-	Note 4
2001. 08	10	120,000,000	1,200,000,000	80,000,000	800,000,000	Capitalization of retained earnings of NTD16,290,000 into new shares Capitalization of additional paid-in capital of NTD64,710,000 into new shares	-	Note 5
2002. 11	10	120,000,000	1,200,000,000	82,000,000	820,000,000	Capitalization of additional paid-in capital of NTD 20,000,000 into new shares	-	Note 6

YYY Y MM	Offering Price (face value)	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital	Investments in consideration of other properties in lieu of cash	Others
2003. 04	10	120,000,000	1,200,000,000	78,000,000	780,000,000	Cancellation of treasury shares amounting to NTD40,000,000	-	Note 7
2003. 08	10	120,000,000	1,200,000,000	74,200,000	742,000,000	Cancellation of treasury shares amounting to NTD38,000,000	-	Note 8
2004. 06	10	160,000,000	1,600,000,000	74,200,000	742,000,000	Addition of authorized capital of NTD400,000,000	-	Note 9
2005. 06	10	120,000,000	1,200,000,000	74,200,000	742,000,000	Reduced authorized capital of NTD400,000,000	-	Note 10
2005. 08	10	120,000,000	1,200,000,000	76,200,000	762,000,000	Capitalization of retained earnings of NTD 12,580,000 into new shares Capitalization of additional paid-in capital of NTD7,420,000 into new shares	-	Note 11
2006. 01 2006. 04	10	120,000,000	1,200,000,000	89,492,348	894,923,480	Addition of NTD132,923,480 from conversion of overseas convertible bond	-	Note 12
2006. 10	10	150,000,000	1,500,000,000	96,000,000	960,000,000	Capitalization of retained earnings of NTD48,967,890 into new shares Capitalization of additional paid-in capital of NTD16,108,630 into new shares	-	Note 13
2007. 09	10	150,000,000	1,500,000,000	120,000,000	1,200,000,000	Capitalization of retained earnings of NTD40,000,000 into new shares Raising capital of NTD 200,000,000 by offering new shares	-	Note 14

YYY Y MM	Offering Price (face value)	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital	Investments in consideration of other properties in lieu of cash	Others
2008. 01 ~ 2008. 07	10	150,000,000	1,500,000,000	120,968,206	1,209,682,060	Addition of NTD9,682,060 from conversion of domestic convertible bond	-	Note 15
2008. 09	10	200,000,000	2,000,000,000	127,068,206	1,270,682,060	Capitalization of retained earnings of NTD61,000,000 into new shares	-	Note 16
2008. 10	10	200,000,000	2,000,000,000	115,068,206	1,150,682,060	Cancellation of treasury shares amounting to NTD120,000,000	-	Note 17
2009. 09	10	200,000,000	2,000,000,000	117,568,206	1,175,682,060	Capitalization of additional paid-in capital of NTD25,000,000 into new shares	-	Note 18
2010. 01	10	200,000,000	2,000,000,000	117,811,448	1,178,114,480	Addition of NTD2,432,420 from conversion of domestic convertible bond	-	Note 19
2010. 09	10	200,000,000	2,000,000,000	120,117,677	1,201,176,770	Capitalization of additional paid-in capital of NTD23,062,290 into new shares	-	Note 20
2011.0 1 ~ 2011.0 7	10	200,000,000	2,000,000,000	134,082,897	1,340,828,970	Addition of NTD139,652,200 from conversion of domestic convertible bond	-	Note 21
2011.0 9	10	200,000,000	2,000,000,000	137,082,897	1,370,828,970	Capitalization of additional paid-in capital of NTD30,000,000 into new shares	-	Note 22
2011.1 0	10	200,000,000	2,000,000,000	142,694,498	1,426,944,980	Addition of NTD56,116,010 from conversion of domestic convertible bond	-	Note 23

YYY Y MM	Offering Price (face value)	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital	Investments in consideration of other properties in lieu of cash	Others
2012.0 1	10	200,000,000	2,000,000,000	140,918,754	1,409,187,540	Cancellation of treasury shares amounting to NTD30,220,000 Addition of NTD12,462,560 from conversion of domestic convertible bond	-	Note 24
2012.1 0	10	200,000,000	2,000,000,000	147,000,000	1,470,000,000	Capitalization of retained earnings of NTD60,812,460 into new shares	-	Note 25
2015.4	10	200,000,000	2,000,000,000	180,000,000	1,800,000,000	Raising capital by issuing new shares 330,000,000	-	Note 26

- Note 1: The capitalization of retained earnings of NTD34,000,000, capitalization of additional paid-in capital of NTD31,000,000 and raising capital of NTD100,000,000 by offering new shares for this instance were made at the recognition of Securities and Futures Commission of Ministry of Finance under (1998)Tai-Cai-Zheng (I) No.56582 dated June 30 1998 and Letter(1998)Tai-Cai-Zheng (I) No.56582 dated August 5 1998.
- Note 2: The capitalization of retained earnings of NTD17,000,000 and capitalization of additional paid-in capital of NTD57,000,000 for this instance were made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter (1999)Tai-Cai-Zheng (I) No. 61630-1 dated July 6 1999.
- Note 3: The raising of capital of NTD70,000,000 by offering new shares for this instance was made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter (1999)Tai-Cai-Zheng (I) No. 107181 dated December 22 1999.
- Note 4: The capitalization of retained earnings of NTD44,290,000, and capitalization of additional paid-in capital of NTD55,710,000 for this instance were made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter (2000)Tai-Cai-Zheng (I) No. 86817 dated October 20 2000.
- Note 5: The capitalization of retained earnings of NTD16,290,000, and capitalization of additional paid-in capital of NTD64,710,000 for this instance were made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter (2001)Tai-Cai-Zheng (I) No. 132762 dated May 25 2001.
- Note 6: The capitalization of additional paid-in capital of NTD20,000,000 for this instance was made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter 0910142555 dated July 31 2002.
- Note 7: The cancellation of treasury shares amounting to NTD40,000,000 for this instance was made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter Tai-Cai-Zheng- (III) No. 09200100185 dated January 9 2003, and Letter Tai-Cai-Zheng- (III) No. 0920108577 dated March 12 2003.
- Note 8: The cancellation of treasury shares amounting to NTD38,000,000 for this instance was made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter Tai-Cai-Zheng- (III) No. 0920130631 dated July 15 2003.
- Note 9: The increase of authorized capital of NTD400,000,000 for this instance was done to meet the needs of the expansion of the scale of operation and passed by the General Meeting of Shareholders in a session dated June 25 2004.
- Note 10: The reduction of authorized capital of NTD400,000,000 for this instance was due to the intent of raising capital for the upward adjustment of the total capital without actually raising the capital in 2004. The General Meeting of Shareholders resolved in a session dated June 23 2005 to reduce the authorized capital for this purpose.
- Note 11: The capitalization of retained earnings of NTD12,580,000, and capitalization of additional paid-in capital of NTD7,420,000 for this instance were made at the recognition of the Executive Yuan Financial Supervisory Commission under Letter Jin-Guan-Zheng-(I)-Zi No. 0940129400 dated July 20 2005.
- Note 12: The conversion of overseas convertible bond for an increase of capital amounted to NTD132,923,480 for this instance was made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter Tai-Cai-Zheng- (I) No. 0910168636 dated February 11 2003.
- Note 13: The capitalization of retained earnings of NTD48,967,890 and capitalization of additional paid-in capital of NTD16,108,630 for this instance were made at the recognition of Executive Yuan Financial Supervisory Commission under Letter Jin-Guan-Zheng-(I)-Zi No. 0950131960 dated July 21 2006.
- Note 14: The capitalization of retained earnings of NTD40,000,000 or this instance was made at the recognition of Executive Yuan Financial Supervisory Commission under Letter Jin-Guan-Zheng-(I)-Zi No. 0960033806 dated July 3 2007. Raising capital to NTD200,000,000 by offering new shares was made at the recognition of Executive Yuan Financial Supervisory Commission under Letter Jin-Guan-Zheng-(I)-Zi No. 0960026070 dated May 29 2007.
- Note 15: The conversion of domestic convertible bond for an increase of capital amounted to NTD9,682,060 for this instance was made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter Jin-Guan-Zheng- (I) No. 09600260701 dated May 29 2007, Taiwan Stock Exchange Corporation Letter Tai-Zheng-Shang-Zi No. 097002021731 dated January 23 2008, No. 09700091271 dated April 15 2008, and No. 09700203971 dated July 18 2008 for consent.
- Note 16: The capitalization of retained earnings of NTD61,000,000 or this instance was made at the recognition of Executive Yuan Financial Supervisory Commission under Letter Jin-Guan-Zheng-(I)-Zi No. 0970036651 dated July 21 2008.
- Note 17: The cancellation of treasury shares amounting to NTD120,000,000 for this instance was made at the recognition of Executive Yuan Financial Supervisory Commission under Letter Jin-Guan-Zheng- (III) No. 0970038240 dated July 21 2008 and Letter Jin-Guan-Zheng- (III) No. 0970054535 dated October 17 2008.
- Note 18: The capitalization of additional paid-in capital of NTD25,000,000 for this instance was made at the recognition of Executive Yuan Financial Supervisory Commission under Letter Jin-Guan-Zheng- Fa-Zi

No. 0980036431 dated July 21 2009.

Note 19: The conversion of overseas convertible bond for an increase of capital amounted to NTD2,432,420 for this instance was made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter Jin-Guan-Zheng- (I) No. 09600260701 dated May 29 2007, Taiwan Stock Exchange Corporation Letter Tai-Zheng-Shang-Zi No. 09900017011 dated January 28 2010 for consent.

Note 20: The capitalization of additional paid-in capital of NTD23,062,290 for this instance was made at the recognition of Executive Yuan Financial Supervisory Commission under Letter Jin-Guan-Zheng- Fa-Zi No. 0990037233 dated July 16 2010.

Note 21: The conversion of domestic convertible bonds for an increase of capital amounted to NTD139,652,200 for this instance was made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter Jin-Guan-Zheng- Fa-Zi No. 0990030840 dated June 23 2010, Taiwan Stock Exchange Corporation Letter Tai-Zheng-Shang-Zi No. 1000002315 dated January 20 2011, Letter Tai-Zheng-Shang-Zi No. 10000111411 dated April 12 2011, and Letter Tai-Zheng-Shang-Zi No. 10000240901 dated July 19 2011 for consent.

Note 22: The capitalization of additional paid-in capital of NTD30,000,000 for this instance was made at the recognition of Executive Yuan Financial Supervisory Commission under Letter Jin-Guan-Zheng- Fa-Zi No. 1000033493 dated July 19 2011.

Note 23: The conversion of domestic convertible bond for an increase of capital amounted to NTD56,116,010 for this instance was made at the recognition of the Securities and Futures Commission of the Ministry of Finance under Letter Jin-Guan-Zheng- Fa-Zi No. 0990030840 dated June 23 2010, Taiwan Stock Exchange Corporation Letter Tai-Zheng-Shang-(I) No. 10000338991 dated October 21 2011 for consent.

Note 24: The cancellation of treasury shares amounting to NTD30,220,000 for this instance was made at the recognition of the Executive Yuan Financial Supervisory Commission under Letter Jin-Guan-Zheng- (III) No. 0970065537 dated November 28 2008 and Letter Jin-Guan-Jiao-Zi No. 1000052519 dated October 28 2011.

The conversion of domestic convertible bonds for an increase of capital amounting to NTD12,462,560 for this instance was made at the recognition of Securities and Futures Commission of Ministry of Finance under Letter Jin-Guan-Zheng- Fa-Zi No. 0990030840 dated June 23 2010, Taiwan Stock Exchange Corporation Letter Tai-Zheng-Shang-(I) No. 10100009271 dated January 12 2012 for consent.

Note 25: The capitalization of retained earnings of NTD60,812,460 or this instance was made at the recognition of Executive Yuan Financial Supervisory Commission under Letter Jin-Guan-Zheng-(Fa)-Zi No. 1010032982 dated July 24 2012.

Note 26: Raising capital of NTD330,000,000 by offering new shares was made at the recognition of Financial Supervisory Commission under Letter Jin-Guan-Zheng-Fa-Zi No. 1040001410 dated January 29 2015.

2. Types of shares

2017.04.21

Type of shares	Authorized capital			Remark
	Outstanding shares (share)	Unissued shares (share)	Total	
Common shares	180,000,000	20,000,000	200,000,000	The outstanding shares are shares of the Company listed in TWSE

3. Information related to the declaration system: No.

(II) Shareholder Structure

2017.04.21

Shareholder Structure	Government Institutions	Financial Institutions	Other Institutions	Foreign institutions and Foreign nationals	Natural persons	Treasury shares	Total
Number of people	1	0	63	20	22,474	1	22,559
Quantity of shareholdings	4	0	60,427,198	484,652	115,419,146	3,669,000	180,000,000

Proportion of shareholdings	0.00%	0.00%	33.57%	0.27%	64.12%	2.04%	100%
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(III) Diversification of equity

1. Common shares

2017.04.21

Shareholding ranking	Number of shareholders	Quantity of shareholdings (share)	Proportion of shareholdings
1 to 999	16,448	694,878	0.39%
1,000 to 5,000	3,793	7,851,773	4.36%
5,001 to 10,000	871	6,589,735	3.66%
10,001 to 15,000	405	4,977,776	2.77%
15,001 to 20,000	230	4,208,391	2.34%
20,001 to 30,000	255	6,449,179	3.58%
30,001 to 50,000	213	8,462,517	4.7%
50,001 to 100,000	181	12,544,231	6.97%
100,001 to 200,000	82	11,648,535	6.47%
200,001 to 400,000	43	11,795,937	6.55%
400,001 to 600,000	8	3,681,329	2.05%
600,001 to 800,000	6	4,432,762	2.46%
800,001 to 1,000,000	5	4,509,830	2.51%
More than 1,000,001	19	92,153,127	51.19%
Total	22,559	180,000,000	100.00%

2. Preferred shares: the Company did not issue any preferred shares.

(IV) List of major shareholders

Major shareholders holding more than 5% or among the top 10 by proportion of shareholdings

2017.04.21

Code	Name of major shareholders	Quantity of shareholdings (share)	Proportion of shareholding s
1	Pilot Electronics Corporation	24,000,000	13.33%
2	Yun Yung Investment Co., Ltd.	20,000,000	11.11%
3	Tzer Ming Investment Co., Ltd.	8,758,454	4.87%
4	Huang Yuan	8,070,536	4.48%
5	Huang Yu-Yun	4,250,590	2.36%
6	Anderson Group (Note)	3,669,000	2.04%
7	Yang Yue-Hua	3,516,481	1.95%
8	Pai Deh Investment Co., Ltd.	2,350,000	1.31%
9	Wang Ying-Chia	2,314,183	1.29%
10	Wang Hsuan-Fu	2,254,582	1.25%

11	Wang Wei-Lung	2,149,098	1.19%
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Note: Re-purchased the shares of the Company under law with planning for assignment to employees.

(V) Market price, net value, earnings, dividend per share in the last 2 years and related information

Unit: NTD

Year			2015	2016	2017 To March 31
Item					
Per share Market price (Note 1)	High		11.80	12.15	11.20
	Low		7.22	7.76	9.96
	Average		9.82	9.94	10.47
Per share Net value	Cum-dividends		13.50	13.16	12.82
	Ex-dividends		-	-	-
Per share Earnings	Weighted average quantity of shares (1,000 shares)		169,060	176,388	176,331
	Earnings per share (Note 3)	Before adjustment	(0.24)	0.56	(0.09)
		After adjustment	-	0.56	-
Per share Dividends	Cash dividends		-	(Note 2)	-
	Stock dividends	From capitalization of retained earnings	-	(Note 2)	-
		From capitalization of additional paid-in capital	17,633,100	(Note 2)	-
	Accumulated unpaid dividends		-	-	-
Analysis of return on investme nts (Note 4)	P/E ratio		(40.92)	17.75	-
	Ratio of dividends/price to dividend ratio		-	(Note 2)	-
	Cash dividend yield rate (%)		-	(Note 2)	-

Note 1: Data source is the official website of TWSE

Note 2: The distribution for 2016 shall be subject to the ratification of the General Meeting of shareholders in 2017.

Note 3: Adjustment of stock dividends in retro-active calculations.

Note 4: P/E ratio = average closing price per share in current year/earnings per share; Ratio of dividend/price to dividend ratio = average closing price per share in the current year/cash dividend per share; Cash dividend yield rate = cash dividend per share/average closing price per share in the current year.

(VI) Dividend policy and implementation

1. Dividend policy

According to the Articles of Incorporation of the Company, the Company shall appropriate 1%~10% of the earnings before taxes before the deduction of remuneration

to employees and Directors and Supervisors as remuneration to employees at the resolution of the Board and paid in cash or stocks. The recipients shall include the employees of subsidiaries meeting specific conditions. The amount of the aforementioned profit shall be subject to appropriation for remuneration to Directors and Supervisors at no more than 3%, and paid in cash. The proposal of remuneration to employees and Directors and Supervisors shall be presented to the General Meeting of Shareholders for ratification. The Company shall appropriate an amount for write-off carryforward loss, if applicable.

The Company takes a number of factors into consideration when making its dividend policy, including the unpredictable competitive environment of the industry, the position of the enterprise at the stage of stable growth in the life cycle, capital requirement in the future, and long-term financial planning. The Company shall appropriate for the payment of corporate income tax and write-off of carryforward loss from its earnings, if applicable. It will be followed by the appropriation of legal reserve and recognition or reversal of the special reserve under law. If there is still a balance, it will be pooled with undistributed earnings at the beginning of the period for distribution at the proposal by the Board and the final approval of the General Meeting of Shareholders.

Earnings distributable to shareholders may be paid in cash dividends or stock dividends. Cash dividends will not be released if it falls below NTD0.1/share. Cash dividends shall account for 30%~100% of the total dividends while stock dividends shall account for 0%~70% of the total dividends. The aforementioned ratio for the distribution of earnings shall be subject to change depending on the actual profit status and availability of funds and the resolution by the General Meeting of Shareholders.

2. Resolution by the General Meeting of Shareholders for the distribution of dividends in the current period:

The Board of the Company resolved to distribute earnings in 2016 in a session dated March 28 2017 specified as follows. This proposal will be presented to the General Meeting of Shareholders scheduled to be held on June 19 2017 for finalization.

Cash dividends for common shares	At NTD0.2/share	NTD35,266,200
Cash dividends paid from additional paid-in capital	At NTD0.3/share	NTD52,899,300

3. Any anticipation of significant changes in the dividends policy: No.

(VII) The effect of stock dividends discussed in the General Meeting of Shareholders for this

instance on the operating performance and earnings per share of the Company: No.

(VIII) Remuneration to employees, Directors and Supervisors.

1. The percentage or scope of remuneration to employees, Directors and Supervisors: refer to (VI)
2. The accounting of the basis for the estimation of remuneration to employees, Directors and Supervisors, and the difference between the estimated remuneration to employees, Directors and Supervisors and the actual remuneration to employees, Directors and Supervisors: According to the Articles of Incorporation of the Company, remuneration to employees, Directors and Supervisors will be estimated under the account titles of cost of operations or operating expenses in accounting. If there is a difference between the estimation and the actual payment, it will be recognized as income in the current period.
3. The Board passed the proposal of remuneration specified below:
 - (1) The amount of remuneration to employees, Directors and Supervisors in cash or stocks: The Board passed the proposal of remuneration to employees, Directors and Supervisors for 2016 in a session dated March 28 2017. The payment shall amount to NTD1,227,335 to the employees and to the Directors and Supervisors, respectively.
 - (2) The ratio of stocks paid to employees as remuneration to corporate earnings as stated in the separate financial statements in the current period and to the total remuneration to the employees: Not applicable.
Ratio of the total : not applicable
4. The actual amount of remuneration to the employees, Directors and Supervisors in the previous period (2015) (including the quantity of shares, amount and stocks price): the Company suffered a loss before taxation in 2015 and there is no estimation of remuneration to employees, Directors and Supervisors.

(IX) Re-purchase of shares issued by the Company: No

II. The issuance of corporate bonds

No

III. The issuance of preferred shares

No

IV. The issuance of overseas depository receipts

No

V. The issuance of ESO

No

VI. The issuance of RS for employees

No

VII. Merger and Acquisition or acceptance of new shares from the assignment by other companies

No

VIII. Capital utilization

No

FIVE. Operating Outlook

I. Content of Business

1. scope of operations

(1) summary content of operations

- i. Trading on various types of machines and metal equipment
- ii. Trading on parts and tools of machines.
- iii. Manufacturing, processing and trading of cutter grinding machines and semi-finished cutter grinding machines.
- iv. The design, manufacturing, processing and trading of machine tools, chemical engineering machines, mining machinery, hydraulic machinery and other machines.
- v. The design, manufacturing, processing and trading in machines.
- vi. The design, manufacturing, processing, and trading in furniture.
- v. The bidding and contracting of related installation work of the aforementioned items.
- viii. Trading in chemical materials (non-toxic).
- ix. The import and export trade and dealership in the aforementioned products.
- x. The leasing of the aforementioned machinery products.
- xi. The printing business of the aforementioned machinery products.
- xii. General import and export business (except for items that require special permission)

2. Business Structure

Unit: NTD1,000

Item	2016	
	Sale value	Proportion of sales
Machinery	2,999,250	81.12%
Board materials	698,229	18.88%
Total	3,697,479	100.00%

3. The carrying items of the Company at present

- (1) Machinery: CNC processing center and CNC industrial machinery (for non-metallic materials), and CNC grinder and related cutters, parts and components, PCB drilling machines, forming machine and testing machines.
- (2) Board materials: wood, laminated board and building materials. However, the Company is positioned as a professional machinery firm. In May 2013, the Company invested NTD50 million to establish Yu De Industrial to take over the Board Materials Division of the Company for engagement in board materials. This company started to launch its business from August 2013 onward.

4. New Products for Development

- (1) Development of aluminum extraction machines
- (2) Development of High-speed multiple-head drilling machines
- (3) Development of basic 5-Axis machine (Fagor controller)
- (4) Development of MT CONNECT
- (5) Automation of kitchen cabinet UV inkjet printing.
- (6) Development of automated UV edge finishing printing
- (7) Development of fine spray high speed inkjet printer
- (8) Development of Magneto 5-axis short main axis

(II) Industry Outlook

1. Current situation and prospect of the industry

Machine tools are machinery equipment indispensable for all types of basic processing and precision processing. This is particularly the case for aerospace and defense industries, automobile industry and general machinery, metal works and related items. As such, machine tools are critical in the machinery industry. The machinery industry of Taiwan has established its foothold in the international market with stable growth in production value. Benefited by the China market and global economic recovery, the market in the emerging countries is in a stable growth albeit the weak performance of growth in Europe and USA. This market has also attracted the attention of advanced nations in Europe, USA and Japan. According to the statistics released by TAMI, the total production value of the machinery industry in Taiwan amounted to NTD985 billion in 2014. With the sustained growth of the market in the ASEAN countries and the increase in demand and the intensification of urbanization of townships in China and optimization of industrial structures, the momentum for further growth could be augmented. According to IEK of ITRI, the production value of the machinery industry in Taiwan amounted to NTD968.1 billion in 2015, a decrease of 0.48% from the same period of 2014. This trend of decline will continue in 2016 and negative growth is expected at 2%. The sluggish economic growth worldwide compelled the Company to accelerate upgrading with the developments in the overseas market.

Home industry has its origins as early as human beings started to build up shelters as home. The development of the industry and technology over the years contributed to the ceaseless launches of new materials and production technologies in this industry. Human beings tend to demand for higher quality in line with the level of economic development. As such, home industry has become an indispensable industry for the basic needs of human beings in food, clothing, shelter and mobility.

If home industry is indispensable, the necessary materials for this industry- board materials, cannot be fully substituted for in the foreseeable future. Taiwan is a region without natural resources and her demand for board materials will still rely on imports

perpetually. If we take a look at Taiwan and the advanced nations of the world, we could see that people tended to demand for a comfortable, refined and good looking home environment beyond its basic function as a shelter under incremental growth of national income. For this reason, a greater variety and less quantity of products will be the development trend. Traditional manpower and machinery for processing can no longer satisfy the needs of the consumers efficiently due to high labor costs or lack of precision of the machines. This will be replaced by CNC machine tools in combination of high precision electronic technology. The thriving development of materials science in recent years not only contributed to the diversification of materials in the home industry but also the successful development of other industries such as electronics, sculpturing and engraving, molding tools, sports equipment and plastics. At this juncture, the use of CNC machines will be indispensable for the production of products with high economic efficiency in all industries.

The machinery industry is the cornerstone of a country in its industrial development and the underlying technology is also the symbol of national power. Indeed, the machinery industry also covers every aspect of human needs and the scope of application is very extensive. The machinery industry is the origin of industry and plays a critical role in industrial development, economic growth and external trade. The primary force driving research and development, production, manufacturing, and service necessary for industrial development is machinery equipment. Its characteristics are closely associated with the development of the downstream industries. The development of the machinery industry significantly affects the improvement of industrial production value and the upgrade of value in Taiwan. The home industry is a fundamental industry for human beings. In general, industrial advancement cannot be accomplished without machinery. As long as human beings are in existence, home needs are the natural result. Likewise, related materials will be there perpetually.

The accelerating speed of internationalization over the years allowed the information industry of Taiwan to play a critical role in the global market. The development of the PCB industry is barely 30 years but its contribution to the market of parts and components and economic development in Taiwan is obvious. Almost every piece of electronic item requires the use of PCB. This product is extensively used and is also the very fundamental material. It would not be exaggerating to say that it is the “mother of the electronic industry”. Clouded by the 2008 financial crisis in the USA and the EURO debt crisis in 2011, the demand of the PCB market weakened, in general. With the recovery of the global economy and the stable growth of the market in China, the demands for consumer electronics picked up its momentum again and pulled up the needs in the PCB market. Indeed, the PCB market has rebounded significantly. According to the projection of IEK, the production value of the PCB industry in Taiwan was NTD964.1 billion in 2014, and will hit a record high in three years. The PCB industry is a well-developed industry with complete upstream and downstream

structure. In the future, the PCB industry must be able to advance further, as the demand for higher precision is inevitable. Although the PCB equipment industry is well-developed, the demand is still high.

2. The association of the upstream, midstream and downstream industries.

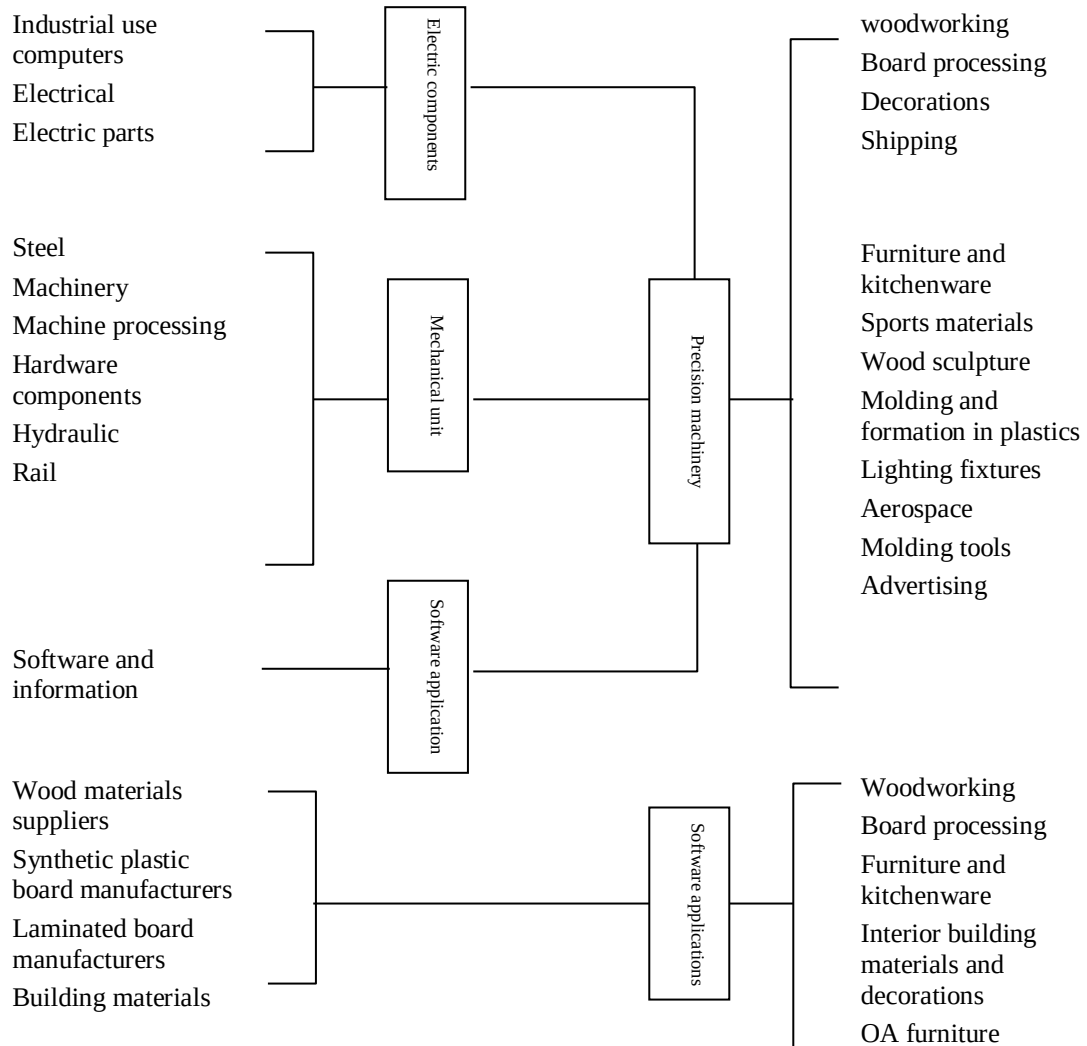
(1) Precision machinery and board materials

The production process of precision machinery in Taiwan primarily includes product design and development, followed by the procurement of outsourced parts and components, and quality inspection. The final stage will be assembly in high precision and testing. The assembly of machines consists of 3 major stages, namely, electric components, mechanical components, and application software (applicable to CNC models). The professional division of labor upstream will include mechanical, electrical parts and components suppliers, and the information industry while the downstream ones will include the processing of non-metallic materials and their application. The association of the upstream and downstream industries of precision machinery and its peripheral product, the board materials, is shown below:

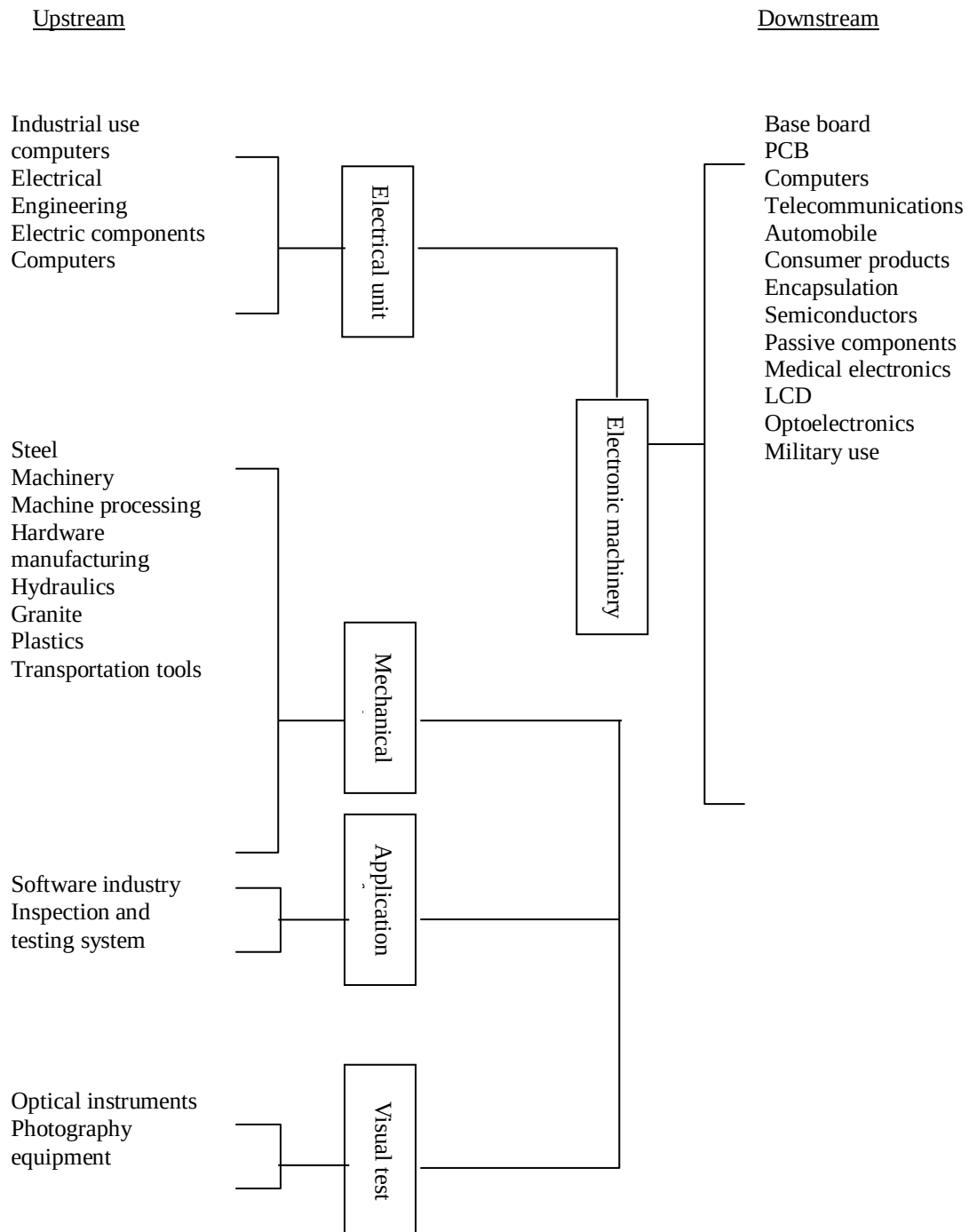
A. Precision machine and board materials

Upstream

Downstream



B. Electronic machinery



3. The development trends of the products

(1) Machinery:

A. Precision machinery

The CNC processing center produced by the Company ranged from USD100,000 to USD200,000 in price and is designed and manufactured to meet the individual needs of customers in the production processing of cutting, grinding, drilling and shaving of non-metallic fibers. The maximum function could be up to 5-axis processing. The increasing sophistication of industrial products in the future will allow the 5-axis processing center to have the high value adding machine to have a high demand. The rise of the CNC processing center compelled people in all industries of the developed and developing countries to look for further automation, higher precision and speed in machinery as a replacement for the old fashioned semi-manual processing machines under the pressure of rising labor costs to produce more competitive products. With more than a decade of solid experience in research and development and technology foundation, the Company can meet the high demand of the customers in 5-axis processing in the processing centers and also the expectation of automated machinery for industrial upgrading among the small and medium enterprises. Under such circumstance, the CNC processing center will no longer be just a need of the big manufacturers and precision industry, but also an indispensable piece of machinery for industrial upgrading. Under this trend, the Company is able to develop models under the price of USD100,000 in mass production, and high-end models for special purposes for more than USD200,000.

B. Electronic Machinery

The production value of PCB on both sides of the Taiwan Straits is surprisingly on top of the world while one of the key machinery for the processing of PCB is the drilling and forming machine. This type of machinery demands high precision, high rotation speed and large production volume. For this reason, a high degree of stability is also necessary. In an environment where the market is huge but competition is keen, cutting down the cost and fitting the production process of the customers in technology design and ceaseless upgrade of product quality will be the development trend in the future.

- (2) Board materials: Under the environmental protection policy of the government in Taiwan, lumbering is prohibited. As a result, the natural materials for furniture and decorations wholly rely on imports. In the past, wood is the primary resource for this kind of materials. The increasing popularity of OA furniture and European style kitchenware in the last decade allowed the laminated boards to emerge as a kind of material that is widely accepted in the market. The attention of the consumers and the government for public

safety made fire retardant materials play a critical role in the market. The Company is positioned as a precision machinery firm. Therefore, it invested NTD50 million to establish Yu De Industrial in May 2013 to take over its Board Materials Division with exclusive engagement in the board materials business. This company started its operations in August 2013.

4. Competition

(1) Machinery:

A. Precision Machinery

The premium item of the Company is the best added-value CNC processing center for woodworking machinery. There are few producers in Taiwan that manufacture this kind of machines and their scale cannot challenge the Company in open competition. As such, almost 90% of the products used in Taiwan are made by the Company. The production value of woodworking machinery in Taiwan is ranked 4th place after Germany, Italy, and China. The export value is also ranked 4th place in the world, which surpassed the export value of Japan. In the famous woodworking machine factories of Germany and Italy, they manufacture similar kinds of products, such as HOMAG, IMA, MARKA and REICHENBACHER in Germany and CMS, SCM in Italy, and KOMO in the USA. For the expansion in the export market, the Company has already established subsidiaries in Germany and USA to provide marketing and post-sale services in proximity to the customers, and has established its foothold in the European market. In addition, the Company has earned its name as a high-end imported brand in the CNC processing center market of the USA, given its stable and high quality product and flexible marketing strategy. A number of problems confront the woodworking machinery of Taiwan. They are the lack of international marketing people, which makes it a challenge to respond to the threat of the woodworking machinery from China in the markets of Europe, USA, and China. The appreciation of the local currency poses another problem for the industry, too. The precision machine of the Company could be applied extensively and in a great variety of choices. With proper management of the channels on hand, the Company will further develop the market in China, Southeast Asia and Brazil. In addition, the Company will develop the market in India by designing the models suitable for the market there and market the products through local dealers. The plant in China will make positive efforts in developing marketing and service locations, and to develop new models suitable for local customers. The target will be the market of domestic demands. Further, the facility in Taiwan will continue to develop products of high value added for bringing in bigger profits. The signing of ECFA will help the machinery and equipment industry to develop the market in China. Nonetheless, the inkjet printing machine is a new item of the Company in

the last 3 years. A designated body will be established for handling the market in the Chinese speaking region and share the experience of the Company with the furniture decoration and advertising firms in China and Southeast Asia. The Company will also develop customized special purpose inkjet printing equipment for meeting the needs in the market and securing new business.

B. Electronic Machinery

The premium item of the Company in electronic machinery is the PCB drilling and forming machine. Currently, the quality of our products has been recognized with a very large market share. This is the result of more than 2 decades of research and development of technological know-how. The research and development of the key components and the main axis is successful with the capacity of manufacturing some of the items. This will help to cut down the cost substantially. In the future, the self-manufactured rate of other key parts and components will be improved as an edge for competition. At the moment, most of the PCB industry relocated to China. In response, the Company has established market and service locations in Shanghai, Beijing, and Shenzhen to satisfy the needs of the customers quickly and to create a competitive advantage. With the now vanishing effects of the global financial crisis, the PCB industry tends to increase capacity with additional equipment purchases. It was echoed in the sustained pursuit of the domestic demand policy in China. The Company will spare no effort in human resources training for production, marketing, and services in all directions. The Company will also establish more service locations to satisfy the needs of the market and increase its market share.

- (2) Board materials: owing to the low entrance barrier of the board materials market, there are far too many competitors. Laminated boards are supplied from Europe and the raw materials of wood are found in the regions with a wealth of forests and they all have a market in Taiwan. However, materials from America remain the mainstream source of supply. The Company has subsidiaries in Europe and America and its access to the materials at a better price than its industry peers. In addition, the Company also has established logistics centers and marketing networks in Taipei, Taichung, and Kaohsiung linked by computers in their operations. For the integration of the inventor management of board materials, the Company has established domestic dispensing centers in northern Taiwan, central Taiwan and southern Taiwan linked to its warehouses for centralized management to cut down on the cost of storage. Most of the industry peers are family business or regional operations and are not in a position of exerting high pressure on the Company in competition.

(III) Technology and R&D Outlook

1. The aspect of technology

In the future, the machinery industry will be developed towards automation and upgrade of computerization. The Company will concentrate its efforts and resources in design, research and development for the development of new breeds of machinery. In precision machinery, the Company has successfully developed different types of CNC 5-axis processing machines, Air Pad, Water-cooling high-speed principal axis, vertical 5-axis machine, slanted 5-axis machines, and CAD/CAM software. In electronic machinery, the Company has developed PCB drilling machines, forming machine, and inkjet printers. All these demonstrated the effort of the Company in its commitment to the development of key parts and components as well as new products. After the design and development of precision machinery and electronic machinery with proper procurement of parts and components, the detail-oriented assembly and inspection with high precision by professional technical personnel in the intermediate process will be indispensable. The turnover rate of technical quality control personnel in the Company is very low. Indeed, the Company highly treasures the training of professional skills for the technical staff. Further to the academic training in machinery at home, the Company also provides the opportunities for these staff to participate in international seminars on professional knowledge of machinery in other countries. The skills and experiences for these personnel over the years helped to make the Company the first of its kind accredited by ISO-9001 of Germany and CE in Europe as precision machine maker.

Based on its globalization management and judgment of the industry trend, the Company started to establish business locations in northern, central and southern Taiwan since 1977 and pioneered the new market mode of “Woodworking Machinery Provincial Circulate Exhibition”. In addition, the Company established subsidiaries in Europe, USA, and Singapore since 1993. With the use of computerized management system, the Company keeps production, sale, and materials flow management in control. The feedback from the international market is served as an input for the Company in sorting out niche products and product sale strategy. The Company started its R&D in CNC machinery since 1997. Since Taiwan is the third largest PCB producer of the world and also approximates the market in China, and post-sale service is one determinant for the customers to choose one product over another, the Company provides integrated technical information service to the customers in proximity to develop internationally with an edge.

2. Research and Development

The Company highly treasures research and development and has established an R&D Department consisting CNC Design Section, Machinery Design Section, Main Axis Office and Software Application Team.

The spending on R&D and result in the last 2 years to the date this report was printed

Unit:

NTD1,000

Year	Amount	R&D Result
2015	76,010 (Note)	➤ Laser Repair Machines ➤ PCB Processing Equipment and Process Information Integration System ➤ Development of commercial use kitchen cabinet software and machines ➤ Floating Smart Laser Processor. ➤ Core winder high-speed motor ➤ Digital Textile Printer ➤ Z-Axis Aerospace Craft 5-axis processing machine ➤ High-speed UV digital inkjet printer ➤ Development of ISO 20 Magneto Main Axis
2016	75,374 (note)	➤ Development of Shuttle Light-Duty Processing Machine ➤ Development PTP3012 Drilling Machine ➤ Development of G448 Machine ➤ Development of SpectraPlus Core Winder ➤ Development of Multiple-layer aluminum cutter ➤ Technology Transfer of KS4600 Welting Machine ➤ Development of HSK63FDC principal axis ➤ Development of HSK40EDC principal axis ➤ Development of HSK50EAC principal axis ➤ Development of the new version of SoCJetting main board
To the date this report was printed.	17,341 (note)	➤ Cylinder linear motor development case ➤ UV kitchen cabinet box printing machine development case ➤ Fully automatic board edge inkjet machine development case

Note: the figures from audited or reviewed consolidated financial statements.

(IV) Long and short-term business plans

1. Short-term plan

(1) Production

A. In the wake of extensive application of CNC machinery and the thriving development of the electronic industry of Taiwan and with electronic firms seeking to expand their production capacity, the demand for electronic equipment and precision machinery will also be stimulated. The Company has limited capacity to meet the demand and therefore plans to expand its production and storage facilities to bolster its production capacity and competitive power.

- B. Further to the fulfillment of job orders production, the Company will also engage in planned production of models of different specifications and standardized models on the basis of the sale in market and market surveys to optimize production efficiency through proper production scheduling to reduce the cost of production. This will help to increase the market share with product price and performance as the advantage.
- C. In light of the high demand for cutting tools in China, the Company plans to relocate its cutting tools production to China for production by subsidiaries. The plant left behind by cutting tools will be used as the plant for the assembly of parts and components of precision machinery and electronic machinery to keep the good quality of parts and components of machinery and reduce cost.

(2) Capacity of Product R&D

A. Intensification of the R&D in key parts and components

High speed for principal axis: base on the technology developed by the Company with integration of the findings from the academic circle, ITRI, the Company has successfully developed air-cooling 10 Hp, 24000rpm high-speed principal axis. This device is lubricated by high-end lubricants. The 15Hp, 24000rpm fume and grease lubricants will be in place very shortly.

High speed feeding: the feeding for cutting and shaving and time-efficiency in the feeding process will be one trend of development in the future. The Company will commit further effort in the research and development of feeding technology so as to upgrade its competitive power of products.

B. The research and development of new products

The use of core technology and international technology joint venture for the development of the following new products:

- a. Development of aluminum extrusion machine
- b. Development of high-speed multiple-head drilling machine
- c. Development of basic level 5-axis (Fagor Controller) machine
- d. Development of MT CONNECT
- e. Development of UV kitchen cabinet automated inkjet printer
- f. Development of UV board edge automated inkjet printer
- g. Development of small jet nozzle high speed inkjet printer
- h. Development of Magneto 5-axis short-axis machine

- C. In addition to the arrangement of routine training of professional and technical skills, the Company has also arranged the employees to participate in seminars in technology in other countries to upgrade the professional standing of the employees. The Company will also invite professional engineers in technology and related skills to the research and development team of the Company.

(3) Marketing strategy

- A. Strengthen the capacity of the subsidiaries in the development of markets in

Europe, USA, Southeast Asia and China. Recruitment of more personnel specialized in technology and sales to quickly deploy for strong sale and post-sale services. Gather information on new product markets and technology applications and developments in relevant countries and regions as reference for manufacturing, research and development.

- B. Development of more domestic and overseas sales and service locations. In addition to provide product sales and post-sale services to local markets to satisfy customer needs and reinforce brand image, the Company can also gather and keep abreast of the information on the regional markets to provide updated information for product supply and fortify the interaction and coordination between research and development and production and sales.

(4) Corporate Management

- A. Establishment of a global information network and installation of videoconferencing system for timely management and cost efficiency.
- B. Strengthening the management of inventory and accounts receivables to reduce capital requirements and cost of capital.

2. Long-term development plans

(1) Production

- A. The Company seeks to increase its share in the production volume of CNC machines to intensify the marketing of products carrying the brands of the Company at home and abroad for a larger market share. The Company will also expand its production facilities to increase the production capacity of its machinery.
- B. In considering of the factors of production and consumption in regional markets, and in response to possible international protectionist policies and proximity to markets and sale channels, the Company will seek outsourced partners overseas for assembly of products with the use of local production resources to reduce production costs. This will help to broaden the product lines and allow the Company to emerge as an internationally renowned professional CNC machine manufacturing firm.

(2) Capacity of Product R&D

- A. Continued development of new functions or key components for CNC machines and looking for substitute for imported key parts and components, and a strengthening of CNC machine manufacturing technical capacity for upgrade product quality.
- B. The successful development and mass production of PCB drilling machines and forming machines allowed the Company to enter the domain of electronic machinery smoothly. In the wake of the thriving development of the electronic industry, the demand for related electronic machinery will also be increased. The Company plans to engage in a joint venture with the Mechanical and

Mechatronics Systems Research Lab of ITRI for the research and development of a series of electronic industry related machinery such as electronic machinery and equipment for the main board and semiconductor industry. In supporting the national economic development policy, the Company seeks to replace imported items with self-manufactured items to upgrade the competitive power of the country.

(3) Marketing strategy

In addition to bolstering the sale performance of the marketing locations in different regions of the world, the Company also considers the size of the customer population, technical supervision in installation and post-sale maintenance service and other factors in planning for setting up technical support centers in the regions of important markets worldwide to provide technical support and parts service in proximity to the market to satisfy market needs and maintain its corporate image.

(4) Corporate management

In the future, the Company plans to connect its computer system with overseas assembly plants. This not only helps to timely manage the operations of the overseas investments for improving product sales, cost control and fund management, but also upgrades the corporate headquarters in Taiwan into the center of research and development, manufacturing and financial control center. This arrangement allows the Company to quickly keep abreast of the information on markets all over the world, the design and technology of new products, and market strategy, which will be essential for responding to the unpredictable economic environment worldwide, and for paving the way for the management of a multinational corporation.

II. Market, sale and production

(I) Market Analysis

1. Regions for the sale (supply) of premium products (services)

The premium products of the Company are precision machinery, electronic machinery, hardware cutting tools, and board materials and the main market is distributed in the following regions:

Unit: NTD1,000

Region	2016
Taiwan	860,438
China	835,459
USA	693,266
Germany	359,585
Thailand	201,660
Australia	118,370
Others	628,701
Total	3,697,479

2. Major competitors

- (1) Precision Machinery: Woodworking machinery is of a great variety. Most of the firms making woodworking machines in Taiwan are small in size and could only produce or deal with some models. According to the list of members of the Taiwan Woodworking Machinery Association, there are only a few manufacturers that can manufacture or deal with CNC machinery. They are Anderson, Chung Kung Machinery Factory, Best Liner Enterprise, and Holytek Woodworking Machinery. In famous woodworking machinery producing countries such as Germany and Italy that make the same type of machines with Anderson are HOMAG, IMA, MARKA, REOCJEMBACHER of Germany, CMS and SCM of Italy, and KOMO of USA.
- (2) Electronic machinery: famous PCB machinery in other countries are HITACHI of Japan, and SCHMOLL of Germany. In Taiwan, famous companies of the same kind are Tailang Technology, Taiwan Takisawa Technology and Tongtai Machine & Tools.

3. Market share and supply and demand in market in the future

(1) Machinery

A. Precision Machinery

The major item of the Company in precision machinery is CNC non-ferrous metal processing machines which was classified by Customs as woodworking machinery. The main item with the best added-value are CNC processing center and principal axis. In Taiwan, there are a few companies making the same type of products and the size of these companies are not comparable to the Company in competition. As such, the products of the Company accounted for 90% of the domestic market. In the past, most of the woodworking machinery in Taiwan are for domestic sale. With the relocation of the furniture and wood products industry to Southeast Asia and China, the market of the industry turned export. Now, Southeast Asia and China remained the main market of the traditional woodworking machinery of Taiwan. CNC and automated machinery are mostly from Europe and USA. The demand for these types of products increased in Southeast Asia over the years. Indeed, the DIY machine has always been export-oriented with main market in North America and Europe where a niche market for differentiation could be applicable. According to the data on export compiled by Customs, the main market for exports includes North America (USA and Canada), Mainland China and Southeast Asia (Vietnam, Malaysia, Indonesia, and Thailand)(the detail is shown in the table below). Most of these items are low-priced saw beds and woodworking lathes, which are DIY tools. It was followed by high added-value processing machines. Further to the main market, woodworking machinery will also be sold to developing countries such as India, Turkey, Russia, and Eastern Europe. These will be the emerging markets for the machinery industry of Taiwan for export.

The export value of woodworking machinery of Taiwan exceeded NTD10 billion since 1993. By now, Taiwan has emerged as the world's third largest exporter of woodworking machinery just after Germany and Italy. After the relocation of the building materials and furniture industries to Southeast Asia and Mainland China, Europe and USA also elected to relocate their production bases to these regions. Under this circumstance, the demand for woodworking machinery in these regions increased significantly. In Southeast Asia and Mainland China, the Chinese people remains the mainstream group in business development. We share a common culture and living habits that makes Taiwan easily open this market for export. The increasing acute competition in Taiwan trimmed off the profits of the industry, to the extent that the export ratio to Southeast Asia has been on the decline. In contrast, the export value to Mainland China grew substantially. The strong demand of the construction and interior decoration industries in Mainland China drove the development of the woodworking machinery forward. In the last few years, the market of Mainland China for woodworking machinery rose to second place for Taiwan just after the USA. In 2010, the market there emerged as the number one export market for Taiwan and has surpassed the USA.

Symbolic countries for export of woodworking machinery like Germany, Italy, and Taiwan are in competition for the export market. In USA, the main market is still in North America and export value is insignificant. However, the competition for export market between Taiwan and Italy gets keener.

Statistics of the export of woodworking machinery from Taiwan in all quarters of 2014~2015

Unit: USD million

Rank	Country	1st Qtr 2014	2nd Qtr 2014	3rd Qtr 2014	4th Qtr 2014	1st Qtr 2015
	-World-	135.327	155.444	139.183	141.86	138.846
01	United States	53.02	58.562	56.127	51.903	52.912
02	China	20.771	31.983	25.101	33.671	24.997
03	Vietnam	9.455	8.562	7.714	7.184	7.606
04	Canada	6.278	7.155	8.464	4.832	6.83
05	Indonesia	4.658	6.351	4.759	5.33	5.431
06	Germany	3.045	3.401	3.404	3.347	3.932
07	Japan	3.351	3.012	2.907	3.147	3.49
08	Thailand	4.874	5.18	2.925	1.949	3.37
09	Australia	2.011	1.641	2.836	3.676	2.925
10	Malaysia	3.024	4.159	2.382	2.965	2.355
11	India	0.829	2.258	1.45	1.755	2.192
12	Russia	1.883	2.729	2.034	2.322	2.044
13	United Kingdom	2.154	1.75	2.312	2.171	1.863
14	Hong Kong	1.733	1.262	1.529	1.814	1.776
15	Belgium	0.859	0.78	1.259	0.783	1.505
16	Korea, South	2.876	2.522	1.64	2.139	1.369
17	Brazil	1.066	1.405	0.942	1.1	1.2
18	Iran	1.194	1.586	0.712	0.459	1.011
19	Mexico	0.997	0.595	0.42	0.576	0.99

20	Myanmar	1.656	0.216	0.148	1.116	0.894
21	Turkey	1.02	0.55	0.84	0.436	0.817
22	South Africa	0.046	0.712	0.409	0.621	0.713
23	Poland	0.449	0.159	0.271	0.253	0.699
24	Netherlands	0.148	0.646	1.147	0.772	0.679
25	Philippines	0.832	0.651	0.339	0.534	0.594
26	New Zealand	0.376	0.426	0.378	0.528	0.583
27	France	0.774	0.605	0.509	0.537	0.549
28	Italy	0.696	0.695	0.747	0.807	0.506
29	Singapore	0.392	0.602	0.594	0.377	0.383
30	Morocco	0	0	0.023	0.066	0.333
31	Romania	0.245	0.168	0.429	0.32	0.318
32	Finland	0.531	0.42	0.445	0.318	0.303
33	United Arab Emirates	0.137	0.47	0.314	0.115	0.297
34	Colombia	0.304	0.239	0.225	0.359	0.284
35	Mozambique	0	0.083	0.045	0	0.282
36	Argentina	0.18	0.169	0.228	0.238	0.258
37	Sweden	0.148	0.12	0.308	0.135	0.167
38	Cambodia	0.069	0.097	0.112	0.092	0.149
39	Slovenia	0.147	0.079	0.167	0.086	0.145
40	Lithuania	0.258	0.060	0.001	0.285	0.138
41	Papua New Guinea	0.010	0.000	0.116	0.060	0.132
42	Israel	0.035	0.080	0.083	0.103	0.116
43	Ghana	0.341	0.000	0.034	0.000	0.113
44	Saudi Arabia	0.000	0.084	0.284	0.212	0.109
45	Sri Lanka	0.054	0.079	0.088	0.098	0.104
46	Peru	0.074	0.103	0.075	0.024	0.104
47	Cameroon	0.105	0.000	0.000	0.000	0.102
48	Chile	0.157	0.067	0.058	0.101	0.096
49	Qatar	0.000	0.010	0.005	0.000	0.096
50	Switzerland	0.178	0.214	0.215	0.169	0.091
51	Oman	0.000	0.000	0.055	0.005	0.083
52	El Salvador	0.003	0.000	0.000	0.000	0.068
53	Spain	0.190	0.067	0.040	0.114	0.067
54	Austria	0.076	0.096	0.057	0.149	0.058
55	Algeria	0.038	0.199	0.000	0.097	0.053
56	Norway	0.006	0.050	0.002	0.005	0.050
57	Cote d'Ivoire	0.000	0.133	0.000	0.020	0.044
58	Guatemala	0.084	0.094	0.000	0.026	0.041
59	Panama	0.029	0.111	0.035	0.085	0.041
60	Suriname	0.000	0.000	0.000	0.000	0.041
61	Czech Republic	0.000	0.090	0.068	0.286	0.031
62	Bangladesh	0.222	0.076	0.051	0.107	0.027
63	Belarus	0.000	0.000	0.000	0.213	0.026
64	Greece	0.053	0.009	0.003	0.000	0.022
65	Lebanon	0.001	0.000	0.009	0.000	0.021
66	Ethiopia	0.000	0.016	0.000	0.000	0.019
67	Ukraine	0.074	0.026	0.229	0.044	0.019
68	Macau	0.000	0.000	0.000	0.000	0.019
69	Guyana	0.000	0.000	0.000	0.009	0.017
70	Ecuador	0.038	0.036	0.002	0.045	0.015
71	Pakistan	0.004	0.004	0.075	0.000	0.011
72	Ireland	0.105	0.154	0.030	0.019	0.011
73	Denmark	0.094	0.058	0.050	0.000	0.011
74	Egypt	0.049	0.035	0.019	0.016	0.010
75	Seychelles	0.000	0.000	0.000	0.000	0.009
76	Venezuela	0.000	0.000	0.000	0.204	0.009
77	Cyprus	0.000	0.000	0.000	0.000	0.007
78	Latvia	0.117	0.371	0.003	0.035	0.007
79	Fiji	0.000	0.000	0.000	0.000	0.006

80	Kazakhstan	0.002	0.008	0.000	0.000	0.006
81	Trinidad & Tobago	0.000	0.000	0.000	0.000	0.005
82	Guinea	0.002	0.004	0.000	0.000	0.005
83	Slovakia	0.003	0.001	0.000	0.000	0.004
84	Mongolia	0.000	0.134	0.137	0.000	0.004
85	Portugal	0.031	0.038	0.032	0.165	0.004
86	Laos	0.000	0.111	0.000	0.000	0.003
87	Iceland	0.000	0.000	0.001	0.000	0.003
88	Costa Rica	0.004	0.059	0.014	0.004	0.003
89	Marshall Islands	0.000	0.000	0.000	0.000	0.002
90	Bolivia	0.000	0.007	0.000	0.000	0.002
91	Uzbekistan	0.000	0.000	0.000	0.035	0.002
92	Solomon Islands	0.000	0.000	0.000	0.000	0.002
93	New Caledonia	0.000	0.000	0.002	0.000	0.001

B. Electronic Machinery

The Company is mainly engaged in the production of PCB forming and drilling machines. The rapid development of new product lines for the electronic products with extensive application into areas such as consumer electronics, HDTV, LCD TV, multimedia sound systems, audiovisual products, high-speed network interface card, and a variety of other cards, which have been launched to the market gradually. The rapid growth of PC and Notebook PC under the perpetual upgrade of their CPUs also drives the development of many computer peripheral products. The sustainable growth of the electronics market resulted in the stable growth of electronic parts and components as well as PCB that links all the circuits. There is a wide array of PCB products. Currently, there are many producers and participants in the PCB market of Taiwan. The premium item of the Company is the forming and drilling machine for PCB. The global production value of PCB in 2013 amounted to USD18.6 billion of which the totality of Mainland China, Japan, Taiwan and Korea accounted for more than 80%. Indeed, China, Japan, Taiwan, and Korea are the main home bases for the production of PCB in the world. This indicated that all the firms in the regions have recovered from the last recession. According to the statistics of IEK, the production value of PCB in Taiwan amounted to NTD569.9 billion in 2015. It is estimated that the growth in 2016 would be 1.07% with annual production value increased to NTD579.4 billion. The forming and drilling machines are expected to grow in line with the growth of the PCB industry.

- (2) Board Materials: The Company carries wood, a variety of high-end building materials and laminated boards. The demand in the market is estimated at the value of NTD5,000,000 thousand. Indeed, the sale of the Company has shown signs of recovery after the financial crisis. In 2016, the sale value amounted to NTD700,922 thousand. The Company will continue to develop new products and bolster its bonding with the suppliers in marketing for

bringing in better revenue.

4. The prospect of the market

The premium product of the Company is woodworking machinery. Since the woodworking machinery industry is closely associated with home living, the development of living quality over the years made this industry a necessity in people's daily lives.

As for electronic machinery, a market survey conducted by Prismark indicated that the recovery of electronic equipment showed stable growth among other things in global economic recovery. The PCB industry has also recovered side by side with the Semi-Conductor industry while the latter has recovered from the financial crisis in 2008. Prismark forecast that in 2017, the scale of the PCB industry worldwide will be USD65.7 billion.

5. Competitive edge, factors favorable and unfavorable for development, and the responses

(1) Competitive Edge

A. Planned and flexible production to keep the time to market under control.

With the wealth of experience and knowledge in the research ,design, and development of various types of CNC machines, the Company can meet the diversity of needs in the market to satisfy different customers in the needs of processing. In addition, the machine function was analyzed and deduced into modularized design and production for reducing cost and shortening the lead-time for development. The products of the Company featured the advantages of price, speed to market, and flexibility. The Company is able to pioneer its products into the market of electronic machinery with its advancement of CNC precision machinery technology and can secure every business opportunity in the market.

B. Strong capability in research and development with highly recognized products

In the future, the development trend for industrial machinery will move towards automation and upgrade to CNC devices. The Company has committed tremendous resources, human and material, in research, development, and design. These remain the prime forces for the development of new models. In the area of precision machinery, the Company has successfully developed the WOOD CAM software, the shaving and carving CAD/CAM software, and the 10Hp/2400rpm principal axis. In electronic machinery, the Company has successfully developed the first "PCB drilling machine" in Taiwan.

C. Precision assembly technology and quality control to keep product quality stable

After the design and development of precision machinery and electronic machinery with proper procurement of parts and components, the detail-oriented assembly and inspection with high precision by professional technical personnel in the intermediate process will be indispensable. The turnover rate of technical quality control personnel in the Company is very low. Indeed, the Company

highly treasures the training of professional skills for the technical staff. Further to the academic training in machinery at home, the Company also provides the opportunities for these staff to participate in international seminars on professional knowledge of machinery in other countries. The skills and experiences for these personnel over the years helped to make the Company the first of its kind accredited by ISO-9002 of Germany and CE in Europe as a precision machine maker.

D. Through channels for marketing at home and abroad with the supply of integrative service.

Based on its globalization management and judgment of the industry trend, the Company started to establish business locations in northern, central, and southern Taiwan since 1977, and pioneered the new market mode of “Woodworking Machinery Provincial Circulate Exhibition”. In addition, the Company established subsidiaries in Europe, USA, and Singapore since 1993. With the use of computerized management system, the Company keeps production, sales and materials flow management in control. The feedback from the international market is served as an input for the Company in sorting out niche products and product sale strategies. The Company started its R&D in CNC machinery since 1997. Since Taiwan is the third largest PCB producer in the world and also approximates the market in China, and post-sale service is one determinant for the customers to choose one product over another, the Company provides integrated technical information service to the customers in proximity to develop internationally with an edge.

(2) Factors favorable and unfavorable for development and the responses

A. Favorable factors

a. Self-developed brands and channels

The Company markets its precision machinery and electronic machinery carrying its own brand. Indeed, the products in precision machinery manufactured by the Company is the number one brand in Taiwan with a positive brand image. This is favorable for promotion in the market. In addition, the Company also spares no effort in developing its own marketing channels and has developed a dense network in Taiwan and the world. This network system helps to cultivate market in greater depth with proper access to the customers and hence for a sustainable share of the market.

b. Diversification of products to reduce operation risk

The Company is also engaged in precision machinery for non-metallic materials, PCB processing and related cutting tools. Board materials include wood, laminated boards and building materials. The diversity of product lines will not be affected by the cycle of a particular market that may influence the operation of the Company.

c. Fortification of R&D technological-know-how for sustainable development of new products

The technologies acquired by the Company are self-developed. With the wealth of experience and the proper accumulation of skills, the Company has new product launchings to the market every year. For example, the non-metallic precision CNC 5-axis processing machine was successfully developed in 1997. The Company then improved the machine and launched it to the plastics industry in 1998, followed by the launch of the processing of parts and components for the aerospace industry in 1999. In PCB machinery, the Company has successfully developed the drilling machine in 1997, and the forming and testing machine in 1998. It was followed by the successful development of the CNC cutting and shaving machine for the automobile industry, and mobile phone cases. Currently, the Company is developing a complete line of automatic winding and formation machine, roller soft PCB laser forming and drilling machine, contacted PCB fixed height processing, computer board cutter, Both-side board processing line, simplified PTP&OWEN, broad width roller inkjet printer, light-duty cutter, hard gear series principal axis, and linear motor. These help to maintain a stable growth for the Company.

d. Capacity for small quantity and large variety of production

Non-metallic precision machinery is usually customized to the special needs of the customers. Currently, the Company carries more than 10 types of machines and can quickly satisfy the diversity of needs of the customers under modularization of production and complete center-satellite parts and components supply system.

e. Division of labor in production with vertical integration

The Company has already completed its installation of new plants and professional parts and components processing plants in Mainland China, and has relocated the production of highly competitive products to Mainland China with a cost advantage to outcompete the competitors in the international market. The newly established parts and components processing plants allow the Company to control the delivery deadline and quality of products properly and also cut down the cost of some parts and components substantially. These provide a competitive edge for the Company in product quality and price.

f. Superior product quality with recognition from the market

The product of the Company is the only CNC non-metallic materials processing machine from Taiwan accredited with ISO-9001 and CE safety standard of EU. The accreditation helps to expand the market in the world. Of all the products, 5 have won the National Fine Products Award while the CNC 5-axis non-metallic materials processing machine has won the Silver Award of

National Product Image Awards. These demonstrated the quality of our products through the recognition of the government and the public.

- g. The economic reform and open-door policy of Mainland China over the years compelled the foreign firms in China to go automatic for enhancing production efficiency. This drove up the demand for automated machines. The Company has an edge in competition as compared with its counterparts in Europe and Japan, as we shared the same language and culture with Mainland China that allowed the Company easily established an advantageous position.
- h. The competition of the board materials industry in Taiwan is keen with a large number of competitors. Yet, most of them are small in size and are personal or family business at the regional level only. The Company is the only firm that runs its operation across the country with proper corporate management and has established subsidiaries in the materials supplying countries of Europe and North America. As such, the Company has an edge in the gathering of information on product trend and the quotation of international firms that no competitor in Taiwan can compare with.

B. Unfavorable factors:

- a. There is only a limited number of suppliers for the high-speed floating principal axis and controllers, a critical component for electronic machinery. The Company has a strong team of R&D personnel and has started to develop principal axis with preliminary success. This unfavorable situation could be eliminated to certain extent if mass production can be launched.
- b. The industry of PCB is highly competitive that dictated for rapid advancements in production technology. In supporting the development of the industry, other related production equipment are also compelled to upgrade very quickly. Since the life span of this type of machinery products is short in the market, the Company has to increase its spending on research and development and engage in technology joint ventures with foreign firms to improve the situation.
- c. Most of the board materials are imported. The fluctuation of exchange rate will significantly affect the profit position of the Company. The Company has taken measures in financial operations to hedge off the risk to improve the situation.
- d. The repercussion of the EURO debt crisis is still there. Some countries in Europe have given warning of a recession for the second time. This may affect global economy and the export of the Company to Europe. The Company will spare no effort to develop other emerging markets to improve the situation.

C. Responses

- a. The Company adopts the group marketing mode on condition that there is no conflict of interest and supplementary in machine models thereby forming a joint information, technology, and design and development center. This joint mode of operation helps to reduce cost and broaden the marketing network and

development of market.

- b. With the wealth of experience in research, design, and development, the Company attributed the functions of the machinery into different modules for design and production that helps to shorten the lead-time for development, and can launch to the market in high speed with flexibility to satisfy market needs.
- c. The Company seeks industry-academic cooperation education with schools with departments and disciplines in mechanical engineering. Professional training could be materialized through training at home and abroad. In addition, the Company has introduced technology supervision from foreign countries with study on the improvement of the design of modularized production process so as to standardize the tasks to reduce the dependence on technical workers.
- d. Intensification of R&D and quality control on self-developed items to build up brand image. In supporting post-sale service, the Company also provides the customers with integrated services with machinery and peripheral devices before and after the sale.
- e. Engagement in strategic alliances with famous international firms with positive effort to jointly develop new models. In addition, the Company participates in related exhibitions and reinforces in media advertising to enhance the visibility of the Company for entrance to the international market.
- f. Maintaining positive relations with primary materials suppliers and pursuit of batch processing strategy on standard models to reduce the cost of materials purchase and work hours. Pursuit of in place procurement through overseas subsidiaries to control quality and price advantage. Reduction of operation risk.
- g. Continue to work with institutions like ITRI and other academic units to research and development substitute parts and components for reducing product cost and reliance as well as upgrade international competitive power.
- h. Segmentation of market by product types to differentiate with industry peers and organization of strategic alliances for joint development of international market. Under the supervision of the industry associations and the government, and the support of the government and research units, market order could be reasonably maintained.
- i. Establishment of regional technical support center in important market in consideration of the customer population size in different regions to provide supervision and post-sale maintenance service for the customers so as to upgrade brand image.
- j. In responding to the policy of protectionism and for proximity to market so as to keep sale channel under control, the Company planned to set up overseas assembly plants to use local production resources. This helps to reduce cost

- k. Focus on the enhancement of profitability to improve the ratio of capital adequacy. In addition, the Company also seeks to raise capital from the capital market to make operation more stable and competitive.
- l. Train the financial staff with the concept exchange risk hedging and take appropriate measure to hedge off financial risk with proper use of financial instruments. This will help to reduce the risk deriving from foreign exchange.

1. The vital purpose of major products

A. The machine is available for cutting, grinding, drilling, forming and shaving of non-metallic materials such as wood in the process of automated production in the furniture, electronic, molding tool, sculpture and engraving, sports equipment, and plastic industries.

(2) Board materials

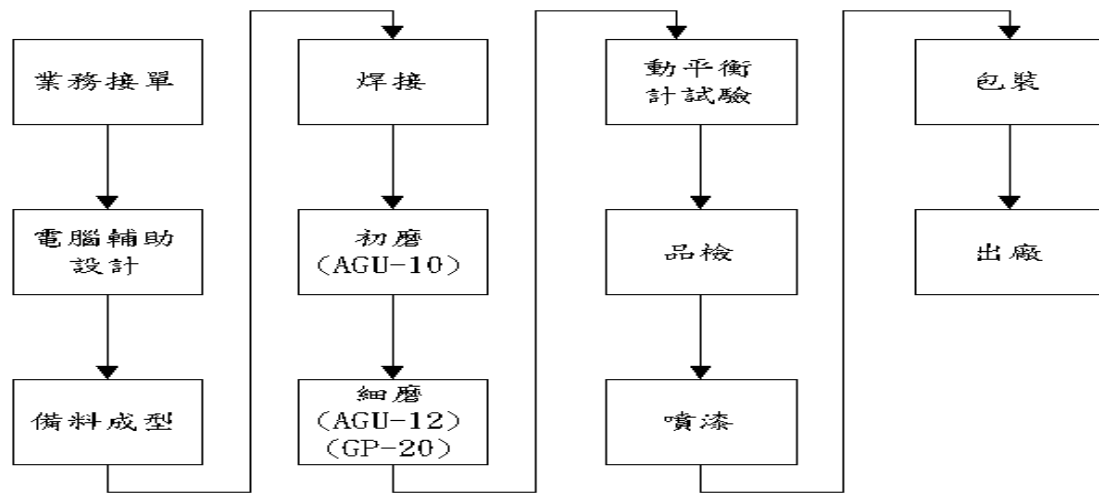
2. Production process

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graph TD
    subgraph 1
        direction TB
        1_1[客戶下訂單] --> 1_2[生產排程計劃]
        1_2 --> 1_3[評估材料成本]
        1_3 --> 1_4[下單採購]
    end
    subgraph 2
        direction TB
        2_1[進料檢驗] --> 2_2[點交入庫]
        2_2 --> 2_3[生產進度預排]
        2_3 --> 2_4[欠料模擬電腦作業]
    end
    subgraph 3
        direction TB
        3_1[調整/敲定生產排程] --> 3_2[倉庫成套備料]
        3_2 --> 3_3[組立安裝]
        3_3 --> 3_4[生產進度管制]
    end
    subgraph 4
        direction TB
        4_1[製程檢驗] --> 4_2[成品檢驗]
        4_2 --> 4_3[實際切削測試]
        4_3 --> 4_4[出機記錄整理]
    end
    subgraph 5
        direction TB
        5_1[拆機] --> 5_2[包裝/釘箱]
        5_2 --> 5_3[裝櫃]
    end
    1_4 --> 2_1
    2_4 --> 3_1
    3_4 --> 4_1
    4_4 --> 5_1

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(III) The supply of key materials

There are thousands of machinery materials required by the Company of which cast iron, granite, controller, motor, principal axis, and balls crews are supplied domestically and from Japan, Germany and France. The Company has more than 2 decades of experience in CNC machinery and has cultivated positive relation with the suppliers for long time. They can satisfy the needs of the Company in quality, price, and post-sale service. There has been no incident of halting of production line in order to wait for material dispensing.

(IV) List of customers accounted for more than 10% of the total sale and purchase in any of the last 2 years.

1. List of suppliers accounted for more than 10% of the total purchase in any of the last 2 years, the amount of purchase, and the proportion of total purchase.

Major materials suppliers in the last 2 years.

Unit: NTD 1,000

Item	2015				2016				2017 to the previous quarter (Note 2)			
	Name	Amount	Proportion to net purchase of the year	Relation with the issuer	Name	Amount	Proportion to net purchase of the year	Relation with the issuer	Name	Amount	Proportion to net purchase of the year to the previous quarter (%)	Relation with the issuer
1	a corp.	256,387	14	-	a corp.	237,356	11	-	a corp.	67,924	9	-
2	b corp.	62,405	3	-	c corp.	64,262	3	-	e corp.	32,614	4	-
3	c corp.	59,602	3	-	b corp.	59,091	3	-	n corp.	25,653	4	-
4	d corp.	53,117	3	-	d corp.	56,622	3	-	i corp.	22,890	3	-
5	e corp.	47,553	3	-	h corp.	39,523	2	-	c corp.	16,780	2	-
6	f corp.	36,807	2	-	f corp.	37,562	2	-	d corp.	13,476	2	-
7	g corp.	36,578	2	-	e corp.	36,951	1	-	o corp.	12,381	2	-
8	h corp.	28,877	2	-	k corp.	34,250	1	-	b corp.	12,208	2	-
9	i corp.	26,981	1	-	l corp.	25,266	1	-	j corp.	9,638	1	-
10	j corp.	23,392	1	-	m corp.	25,176	1	-	p corp.	9,389	1	-
	Others	1,203,338	66	-	Others	1,577,216	72	-	Others	509,519	70	-
	Net purchase	1,835,037	100		Net purchase	2,193,275	100		Net purchase	732,472	100	

Note1: List the suppliers accounting for more than 10% of the total purchase in the last 2 years, the amount of purchase and proportion to total purchase. Use codes to represent suppliers not to be identified as agreed by the parties, or the trading parties are individuals who are not related parties.

Note 2: For TWSE/GTSM-listed companies with audited or reviewed financial statements covering the most recent period to the date this report was printed available, disclose the content of financial information.

2. Names of customers that accounted for more than 10% of the total sale in any of the last 2 years, the amount of sale, and proportion to total sale.

Information on major customers of sale in the last 2 years.

Unit: NTD 1,000

Item	2015				2016				2017 to the previous quarter (Note 2)			
	Name	Amount	Proportion of net sale in the year	Relation to the issuer	Name	Amount	Proportion of net sale in the year	Relation to the issuer	Name	Amount	Proportion to net sales of the year to the previous quarter.	Relation with the issuer
1	A corp.	155,044	5	-	A corp.	174,775	5	-	K corp.	46,844	5	-
2	B corp.	102,654	3	-	K corp.	140,722	4	-	Q corp.	45,297	5	-
3	C corp.	89,848	3	-	L corp.	104,688	3	-	C corp.	28,498	3	-
4	D corp.	75,783	2	-	C corp.	100,068	3	-	F corp.	27,731	3	-
5	E corp.	53,981	2	-	M corp.	91,277	2	-	P corp.	24,172	3	-
6	F corp.	53,065	2	-	F corp.	82,123	2	-	R corp.	21,298	3	-
7	G corp.	49,618	2	-	I corp.	76,589	2	-	S corp.	19,170	2	-
8	H corp.	46,619	2	-	N corp.	56,996	2	-	M corp.	16,940	2	-
9	I corp.	46,468	1	-	O corp.	56,672	1	-	O corp.	13,353	2	-
10	J corp.	45,598	1	-	P corp.	54,774	1	-	H corp.	12,385	2	-
	Others	2,418,009	77		Others	2,758,795	75		Others	597,249	70	-
	Net sale	3,136,687	100		Net sale	3,697,479	100		Net sale	852,937	100	

Note 1: List the customers accounting for more than 10% of the total sales in the last 2 years, the amount of sale, and proportion to total sale. Use codes to represent customers not to be identified as agreed by the parties, or the trading parties are individuals who are not related parties.

Note 2: For TWSE/GTSM-listed companies with audited or reviewed financial statements covering the most recent period to the date this report was printed available, disclose the contents of financial information.

(V) Production volume and value in the last 2 years

Value unit: NTD1,000
Quantity unit: machine in unit

Production volume and value Major items	2015			2016		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Machinery	881	881	2,041,385	887	883	2,330,883
Total	881	881	2,041,385	887	883	2,330,883

(VI) Sale volume and value in the last 2 years

Value unit: NTD1,000
Quantity unit: machine in unit-

Sale volume and value Major items		2015				2016			
		Domestic sale		Export sale		Domestic sale		Export sale	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Machinery	Machinery	202	534,051	679	1,533,575	59	154,357	824	2,833,954
	Trading	Note	183,822	Note	181,520	Note	6,600	Note	1,646
Board materials	Trading	Note	680,324	Note	23,395	Note	699,481	Note	1,441
Others			0		0		0		0
Total		202	1,398,197	679	1,738,490	59	860,438	824	2,837,041

Note: Sale volume is not specified because the products are measured in different units in training.

III. Employees

Information on employees in the last 2 years to the date this report was printed.

March 31 2017

Year		2015	2016	Current period to March 31 2017
Employees Number	Managers	24	23	35
	Line workers	246	270	313
	General employees	433	413	487
	Total	703	706	835
Average age		39.9	40.9	40.9

Average years of service		8.4	9.2	8.9
Education Distribution Ratio	PhD	0	0	1
	Master	51	54	68
	Bachelor	320	342	353
	Senior High School	267	252	269
	Below Senior High School	65	58	144

IV. Information of spending on environmental protection

1. The principal business of the Company is the production of CNC machinery, electronic machinery under the mode of center-satellite system of production. The center plant (the Company) is responsible for the development, design, assembly, and marketing of products. Most of the parts and components are supplied by vendors that makes the center part cause no pollution and no damage to the ecological environment. However, the Company still makes an effort to improve the work environment in order to provide a comfortable and pleasant work environment for the employees for upgrading work efficiency.
 - (1) Compilation of Labor Safety and Health Handbook.
 - (2) Establishment of a functional unit for performing the duty of labor safety and health.
 - (3) Installation of a viable fire safety system.
 - (4) Measurement and testing of the work environment.
 - (5) Establishment of green zone in the factories.
 - (6) Support the environmental protection policy of the government.
2. Loss inflicted by pollution of the environment in the most recent year to the date this report was printed, the total amount of penalty and responses: not applicable.

V. Labor-management relation

- (I) Employee benefits, continuing education, training, retirement system and implementation of these policies:
 1. As always, the Company highly Through proper training, employees could be properly nuperpetuity, stability, developoperatio The Company has other measures to take care of the employees
 - (1) Employee insurance:
 - A. According to Article 6 of the Labor Insurance Act, all employees are protected by

labor insurance as of the day of registration for duty.

B. Personal accident insurance has also been taken for employees exposed to such risk.

The Company will pay for the premium in full.

(2) Salary adjustment, reward and bonus system.

(3) The Company will provide subsidy or pension for the employees, their spouses, parents, and children in the occasions of matrimony, delivery of baby, death, or disability.

(4) Emergency Aid for the Employees.

(5) Release of work uniform to the employees

(6) On-the-job training for the employees in the Company or outside.

(7) Activities such as tourist travelling for the employees.

2. Retirement system and implementation:

The Company has instituted the retirement regulation. Employees are entitled to pension under this regulation after providing service for the Company for certain period or at certain age, or unable to continue to perform the assigned duties. The Company appropriates pension fund contribution to the special account at Central Trust Bureau monthly.

With effect on July 1 2005, the new Labor Pension Act has come into full force (hereinafter referred to as “the new system”). Employees who elect to adopt the new system for the calculation of the years of service or employees who registered for duties after the new system has come into full force will have monthly appropriation at no less than 6% of the salaries to their personal special account as reserve for pension at their retirement.

3. Labor-management agreement and the protection of the rights of the employees

Labor-management relation in the Company is harmonious at all time. Communication and coordination have been properly handled through different channels for consensus on both sides. This contribution to the smooth operation of the Company.

(1) Departments have their own meetings as the occasions for proper communication with the employees. At the same time, the employees can understand the production, labor safety and health, and quality control system properly. In turn, the employees can express their opinions so as to build up consensus with the management.

(2) The employee welfare committee meeting allows the management and the employees to engage in discussion on the benefits of the employees. This occasion also helps to strengthen the Labor-Management bonding and served as reference for administrative management.

(II) Loss deriving from labor-management disputes in the most recent year to the date this report was printed: no

VI. Essential Contracts

Nature of contracts	Parties concerned	Perpetuity of contracts date	Major content	Restricted clause
Mid-term loan	First Bank	2016.02.05 2021.02.05	Credit limit of 280 million with term of 5 years. Monthly interest payment with principal repayable in 48 installments from the 1st anniversary of drawdown in equal monthly payment.	No.
Mid-term loan	Bank of Taiwan	2011.09.26~ 2020.05.26	Credit limit of NTD58 million with term of 10 years. NTD 55 million has been drawn with monthly payment of interest. Principal is repayable in 32 installments from the 2nd anniversary of drawdown in equal quarterly payment.	No
Mid-term loan	Bank of Taiwan	2011.09.26~ 2021.01.11	Credit limit of NTD42 million with term of 10 years. Monthly payment of interest and principal is repayable in 32 installments from the 2nd anniversary of drawdown in equal quarterly payment.	No
Mid-term loan	Bank of Taiwan	2014.08.21~ 2019.07.21	Credit limit of NTD220 million with term of 5 years. NTD160 million has been drawn with monthly payment of interest. Principal is repayable in 36th installment from the 2nd anniversary of drawdown in equal monthly payment.	No
Mid-term loan	Chang Hwa Bank	2016.03.21 2021.03.21	Credit limit of NTD100 million with term of 5 years. Interest is payable monthly and principal is repayable in 48 installments from the 1st anniversary after the drawdown in equal monthly payment.	No.
Mid-term loan	Yuanta Bank	2016.02.01 2021.02.01	Credit limit of NTD50 million with term of 5 years. Principal is repayable from the 2nd anniversary of drawdown with monthly payment of interest and the first repayment of principal from the day after the 24th months as the first installment. The principal will be repaid in 7 installments with subsequent payments once every six months.	No
Mid-term loans	Taichung Commercial Bank	2016.11.29~ 2018.11.29	The credit limit is NTD40 million with term of 2 years. Principal will be repaid in 24 installments with monthly payment of interest.	No

SIX. Financial Position

I. Condensed balance sheet and comprehensive income statement covering the last 5 years (1) Condensed Balance Sheet

Unit: NTD1,000

Item		Financial Information covering the last 5 years (Note 1)					Financial information in current period to March 31 2017 (Note 1)
		2016	2015	2014	2013	2012	
Current assets		3,460,963	3,336,894	3,211,163	3,414,096	3,005,871	3,824,910
Property, plant and equipment		1,017,650	959,280	998,104	934,889	988,259	1,013,466
Intangible assets		145,008	157,583	148,839	15,082	16,966	148,324
Other assets		180,184	202,864	206,239	223,494	141,840	160,536
Total assets		4,803,805	4,656,621	4,564,345	4,587,561	4,152,936	5,147,236
Current Liabilities	Cum-dividend	1,907,631	2,019,864	1,737,377	1,066,417	1,066,417	2,353,872
	Ex-dividend	Note 2	2,019,864	1,755,377	1,154,617	985,567	Note 2
Non-current liabilities		575,341	353,756	788,747	946,239	1,032,163	532,648
Liabilities Total	Cum-dividend	2,482,972	2,373,620	2,526,124	2,474,608	2,098,580	2,886,520
	Ex-dividend	Note 2	2,373,620	2,544,124	2,562,808	2,017,730	Note 2
Shareholders' equity attributable to parent company		2,297,840	2,261,455	2,039,063	2,091,811	2,031,544	2,238,652
Capital stock		1,800,000	1,800,000	1,470,000	1,470,000	1,470,000	1,800,000
Additional paid-in capital		319,573	337,206	304,206	304,206	304,206	319,573
Retained Earnings	Cum-dividend	263,863	165,853	235,432	311,026	282,352	248,574
	Ex-dividends	Note 2	165,853	217,432	222,826	201,682	Note 2
Other equity		(50,624)	(11,541)	29,425	6,579	(25,194)	(94,523)
Treasury shares		(34,972)	(30,063)	-	-	-	(34,972)
Uncontrolled equity		22,993	21,546	(842)	21,142	22,812	22,064
Equity Total	Cum-dividends	2,320,833	2,283,001	2,038,221	2,112,953	2,054,356	2,260,716
	Ex-dividends	Note 2:	2,283,001	2,020,221	2,024,753	1,973,506	Note 2

Note 1: The financial statements covering the period of January 1 2012 to March 31 2017 were audited or reviewed.

Note 2: the Ex-dividend figures as presented to the above table were based on the resolutions of the General Meeting of Shareholders of respective fiscal periods.

II. Condensed Comprehensive Financial Statements

Unit: NTD1,000

Item	Year	Financial Information covering the last 5 years (Note 1)					Financial information in current period to March 31 2017(Note 1)
		2016	2015	2014	2013	2012	
Revenues		3,697,479	3,136,687	3,268,623	3,164,908	2,899,627	852,937
Gross profits		1,234,498	907,131	769,042	780,867	694,332	262,085
Operating income		146,488	(66,943)	(31,118)	66,357	103,622	1,614
Non-operating income and expenses		(6,441)	23,805	73,537	59,699	18,667	(18,442)
Earnings before taxes		140,047	(43,138)	42,419	126,056	122,289	(16,828)
Earnings of continued operations in current period		97,025	(42,090)	16,052	106,221	88,565	(15,721)
Loss from discontinued operations		-	-	-	-	-	-
Earnings (loss) in current period.		97,025	(42,090)	16,052	106,221	88,565	(15,721)
Other comprehensive incomes (earnings) in current period		(40,850)	(51,440)	29,455	33,226	(55,898)	(44,396)
Total comprehensive income in current period		56,175	(93,530)	45,507	139,447	32,667	(60,117)
Earnings attributable to shareholders of parent company		98,616	(41,201)	17,442	107,816	92,253	(15,289)
Earnings		(1,591)	(889)	(1,390)	(1,595)	(3,688)	(432)

attributable to uncontrolled equity						
Comprehensive incomes attributable to shareholders of parent company	58,927	(92,541)	46,897	141,117	36,543	(59,188)
Comprehensive incomes attributable to uncontrolled equity	(2,752)	(989)	(1,390)	(1,670)	(3,876)	(929)
Earnings per share	0.56	(0.24)	0.12	0.73	0.63	(0.09)

Note 1: The financial statements covering the period of January 1 2012 to March 31 2017 were audited or reviewed.

III. Condensed separate balance sheet

Unit: NTD1,000

Year		Financial information covering the last 4 years (Note 1)				
Item		2016	2015	2014	2013	2012
Current assets		1,191,950	1,498,507	1,828,024	2,293,495	1,953,534
Property, plant, and equipment		718,882	645,386	655,903	684,325	716,850
Intangible assets		40,030	41,407	46,765	19,598	26,376
Other assets		1,674,762	1,625,560	1,513,898	1,215,423	1,283,308
Total assets		3,625,624	3,810,860	4,044,590	4,212,841	3,980,068
Current	Cum-dividends	775,811	1,212,870	1,224,105	1,180,811	943,970
Liabilities	Ex-dividends	Note 2	1,212,870	1,242,105	1,269,011	863,120
Non-current liabilities		551,973	336,535	781,422	940,219	1,004,554
Liabilities	Cum-dividends	1,327,784	1,549,405	2,005,527	2,121,030	1,948,524
Total	Ex-dividend	Note 2	1,549,405	2,023,527	2,209,230	1,867,674
Shareholders' equity attributable to parent company		2,297,840	2,261,455	2,039,063	2,091,811	2,031,544
Capital stock		1,800,000	1,800,000	1,470,000	1,470,000	1,470,000
Additional paid-in capital		319,573	337,206	304,206	304,206	304,206
Retained	Cum-dividends	263,863	165,853	235,432	311,026	282,532
Earnings	Ex-dividends	Note 2	165,853	217,432	242,826	201,682
Other equity		(50,624)	(11,541)	29,425	6,579	(25,194)
Treasury shares		(34,972)	(30,063)	-	-	-
Uncontrolled equity		0	0	0	0	0
Equity	Cum-dividends	2,297,840	2,261,455	2,039,063	2,091,811	2,031,544
Total	Ex-dividend	Note 2	2,261,455	2,021,063	2,000,611	1,950,694

Note 1: the separate financial information covering the last 5 years were audited and certified.

Note 2: The cum-dividend figures presented in the above table were based on the resolutions of the General Meeting of Shareholders of respective fiscal periods.

IV. Condensed Separate Comprehensive Income Statement

Unit: NTD1,000

Item	Financial information covering the last 5 years (Note 1)				
	2016	2015	2014	2013	2012
Revenues	1,123,840	1,446,687	1,818,731	2,581,757	2,367,694
Gross profits	324,810	287,678	462,371	564,910	489,974
Operating income	-24,872	-52,931	95,704	115,067	130,089
Non-operating income and expenses	145,151	23,914	(66,948)	10,434	(3,663)
Earnings before taxes	120,279	-29,017	28,756	125,501	126,426
Earnings for continued operations in current period	98,616	-41,201	17,422	107,816	92,253
Loss from discontinued operations	-	-	-	-	-
Earnings (loss) in current period	98,616	-41,201	17,422	107,816	92,253
Other comprehensive income (earnings) in current period	-39,689	-51,340	29,455	33,301	(55,710)
Total comprehensive income in current period	58,927	-92,541	46,897	141,117	36,543
Earnings per share	0.56	-0.24	0.12	0.73	0.63

Note 1: the separate financial information covering the last 5 years were audited and certified.

(V) Condensed Balance Sheet, -the SFAS of the Republic of China

Unit: NTD1,000

Year		Financial information covering the last 5 years (Note 1)				
		2016	2015	2014	2013	2012
Current assets		Not applicable	Not applicable	Not applicable	Not applicable	1,971,317
Funds and investments		Not applicable	Not applicable	Not applicable	Not applicable	966,511
Fixed assets		Not applicable	Not applicable	Not applicable	Not applicable	721,670
Intangible assets		Not applicable	Not applicable	Not applicable	Not applicable	26,600
Other assets		Not applicable	Not applicable	Not applicable	Not applicable	293,604
Total assets		Not applicable	Not applicable	Not applicable	Not applicable	3,979,702
Current liabilities	Cum-dividends	Not applicable	Not applicable	Not applicable	Not applicable	968,847
	Ex-dividends	Not applicable	Not applicable	Not applicable	Not applicable	887,997
Long-term liabilities		Not applicable	Not applicable	Not applicable	Not applicable	776,961
Other liabilities		Not applicable	Not applicable	Not applicable	Not applicable	133,341
Liabilities	Cum-dividend	Not applicable	Not applicable	Not applicable	Not applicable	1,879,149
	Ex-dividends	Not applicable	Not applicable	Not applicable	Not applicable	1,798,299
Capital stocks		Not applicable	Not applicable	Not applicable	Not applicable	1,470,000
Additional paid-in capital		Not applicable	Not applicable	Not applicable	Not applicable	304,206
Retained	Cum-dividends	Not applicable	Not applicable	Not applicable	Not applicable	301,752
Earnings	Ex-dividends	Not applicable	Not applicable	Not applicable	Not applicable	220,902
Unrealized gains of financial products		Not applicable	Not applicable	Not applicable	Not applicable	(2,895)
Accumulated conversion adjustment		Not applicable	Not applicable	Not applicable	Not applicable	50,728
Treasury shares		Not applicable	Not applicable	Not applicable	Not applicable	-
Net loss unrecognized as pension costs		Not applicable	Not applicable	Not applicable	Not applicable	(23,238)
Shareholders' equity	Cum-dividends	Not applicable	Not applicable	Not applicable	Not applicable	2,100,553
Total equity	Ex-dividends	Not applicable	Not applicable	Not applicable	Not applicable	2,019,703

Note 1: the financial information covering the last 5 years was audited and certified.

Note 2: The cum-dividends figures presented in the above table were based on the resolutions of the General Meeting of Shareholders of the respective fiscal periods.

VI. Condensed Income Statement -- SFAS of the Republic of China

Unit: NTD1,000

Year		Financial information covering the last 5 years(Note 1)				
Item		2016	2015	2014	2013	2012
Revenues		Not applicable	Not applicable	Not applicable	Not applicable	2,366,635
Realized gross profits		Not applicable	Not applicable	Not applicable	Not applicable	497,541
Operating income		Not applicable	Not applicable	Not applicable	Not applicable	128,868
Non-operating income and expenses		Not applicable	Not applicable	Not applicable	Not applicable	81,905
Non-operating expenses and loss		Not applicable	Not applicable	Not applicable	Not applicable	86,654
Earnings before taxes for continued operations		Not applicable	Not applicable	Not applicable	Not applicable	124,119
Income of continued operations		Not applicable	Not applicable	Not applicable	Not applicable	90,561
Income of discontinued operations		Not applicable	Not applicable	Not applicable	Not applicable	-
Extraordinary items		Not applicable	Not applicable	Not applicable	Not applicable	-
Accumulated effect of changes in accounting policies		Not applicable	Not applicable	Not applicable	Not applicable	-
Income in current period		Not applicable	Not applicable	Not applicable	Not applicable	90,561
Earnings per share	Cum-dividends in retrospect	Not applicable	Not applicable	Not applicable	Not applicable	0.62
	Ex-dividends in retrospect	Not applicable	Not applicable	Not applicable	Not applicable	-

Note 1: The financial information covering the last 5 years was audited and certified.

VII. Condensed Consolidated Balance Sheet- – SFAS of the Republic of China

Unit: NTD1,000

Year		Financial information covering the last 5 years (Note 1)				
Item		2016	2015	2014	2013	2012
Current assets		Not applicable	Not applicable	Not applicable	Not applicable	3,023,292
Funds and investments		Not applicable	Not applicable	Not applicable	Not applicable	26,747
Fixed assets		Not applicable	Not applicable	Not applicable	Not applicable	865,376
Intangible assets		Not applicable	Not applicable	Not applicable	Not applicable	30,199
Other assets		Not applicable	Not applicable	Not applicable	Not applicable	168,959
Total assets		Not applicable	Not applicable	Not applicable	Not applicable	4,114,573
Current	Cum-dividends	Not applicable	Not applicable	Not applicable	Not applicable	1,053,708
Liabilities	Ex-dividends	Not applicable	Not applicable	Not applicable	Not applicable	972,858
Long-term liabilities		Not applicable	Not applicable	Not applicable	Not applicable	798,929
Other liabilities		Not applicable	Not applicable	Not applicable	Not applicable	138,100
Liabilities	Cum-dividends	Not applicable	Not applicable	Not applicable	Not applicable	1,990,737
Total	Ex-dividends	Not applicable	Not applicable	Not applicable	Not applicable	1,909,887
Capital stocks		Not applicable	Not applicable	Not applicable	Not applicable	1,470,000
Additional paid-in capital		Not applicable	Not applicable	Not applicable	Not applicable	304,206
Retained	Cum-dividends	Not applicable	Not applicable	Not applicable	Not applicable	301,752
Earnings	Ex-dividends	Not applicable	Not applicable	Not applicable	Not applicable	220,902
Unrealized gains of financial products		Not applicable	Not applicable	Not applicable	Not applicable	(2,895)
Accumulated conversion adjustments		Not applicable	Not applicable	Not applicable	Not applicable	50,728
Treasury shares		Not applicable	Not applicable	Not applicable	Not applicable	0
Net loss of unrecognized pension cost		Not applicable	Not applicable	Not applicable	Not applicable	(23,238)
Minority equity		Not applicable	Not applicable	Not applicable	Not applicable	23,283
Shareholders' equity	Cum-dividends	Not applicable	Not applicable	Not applicable	Not applicable	2,123,836
Total equity	Ex-dividends	Not applicable	Not applicable	Not applicable	Not applicable	2,042,986

Note 1: The financial information covering the last 5 years was audited and certified.

Note 2: The cum-dividends figures presented in the above table were based on the resolutions of the

General Meeting of Shareholders of respective fiscal periods.

VIII. Condensed Consolidated Income Statement –SFAS of the Republic of China

Unit: NTD1,000 Note

Year		Financial information covering the last 5 years (Note1)				
Item		2016	2015	2014	2013	2012
Revenues		Not applicable	Not applicable	Not applicable	Not applicable	2,878,253
Gross profits		Not applicable	Not applicable	Not applicable	Not applicable	691,353
Operating income		Not applicable	Not applicable	Not applicable	Not applicable	98,035
Non-operating income and expenses		Not applicable	Not applicable	Not applicable	Not applicable	115,984
Non-operating expenses and loss		Not applicable	Not applicable	Not applicable	Not applicable	94,037
Earnings before taxes for continued operations		Not applicable	Not applicable	Not applicable	Not applicable	119,982
Income of continued operations		Not applicable	Not applicable	Not applicable	Not applicable	86,873
Income of discontinued operations		Not applicable	Not applicable	Not applicable	Not applicable	-
Extraordinary items		Not applicable	Not applicable	Not applicable	Not applicable	-
Accumulated effect of changes in accounting policies		Not applicable	Not applicable	Not applicable	Not applicable	-
Income in current period		Not applicable	Not applicable	Not applicable	Not applicable	86,873
consolidated earnings attributable to parent company.		Not applicable	Not applicable	Not applicable	Not applicable	90,561
Earnings per share	Before adjustment	Not applicable	Not applicable	Not applicable	Not applicable	0.62
	After adjustment	Not applicable	Not applicable	Not applicable	Not applicable	0.62

1: the financial information covering the last 5 years was audited and certified.

(IX) Names of external auditors in the last 5 years and audit opinions

Year	Name of CPA firm	Name of certification CPA	Audit opinion
101	KPMG Taiwan	Huang Po-Shu, Lin Hsiu-Yu	Modified unqualified opinion
102	KPMG Taiwan	Huang Po-Shu, Lin Hsiu-Yu	Modified unqualified opinion
103	KPMG Taiwan	Huang Po-Shu, Yu An-Tien	Modified unqualified opinion
104	Deloitte Taiwan	Fan You-Wei, Tai Hsin-Wei	Modified unqualified opinion
105	Deloitte Taiwan	Fan You-Wei, Tai-Hsin-Wei	Standard unqualified opinion

II. Financial analysis covering the last 5 years

(I) Financial Analysis

Year			Financial analysis covering the last 5 years (Note 1)					F i n a n c i a l information in current period to March 31 2017 (N o t e 1)
Items of analysis			2016	2015	2014	2013	2012	
Financial structure	Liabilities to assets ratio (%)		52	51	55	55	51	56
	Long-term capital to property, plant, and equipment ratio(%)		275	260	268	306	289	266
Ability to Repay debt	Current ratio (%)		181	166	185	223	282	162
	Quick ration (%)		113	102	108	150	174	97
	Debt service coverage ratio(times)		6	-1	2	6	6	-2
Utility	Receivable turnover (times)		3.21	2.81	2.58	2.60	2.06	2.64
	Daily sales outstanding		114	130	141	142	178	138
	Inventory turnover (times)		2.02	1.78	2.10	2.16	1.91	1.77
	Payable turnover rate (times)		7.29	7.09	7.21	7.05	5.44	4.88
	Average days for selling		181	205	174	169	192	206
	Fixed assets turnover (times)		3.74	3.27	3.27	3.39	2.93	3.36
	Total assets turnover (times)		0.78	0.68	0.72	0.69	0.70	0.69
Profitability	Return on Assets (%)		2.55	-0.49	0.96	2.93	2.48	-0.21
	Return on equity (%)		4.21	-1.95	0.77	5.10	4.25	-0.69
	Ratio to paid-in capital (%)	Operating income	8.14	-3.72	-2.12	4.51	7.05	0.09
		Earnings before taxation	7.78	-2.40	1.09	8.58	8.32	-0.93
	Net profit rate(%)		2.62	-1.34	0.49	3.36	3.05	-1.84
	Earnings per share (NTD)	Cum-divide nds in retrospect	0.56	-0.24	0.12	0.73	0.62	-0.09
		Ex-dividend s in retrospect	0.56	-	0.12	0.73	0.62	-
Cash Flow	Cash flow ratio (%)		-3.91	20.38	10.62	16.06	44.22	-8.16
	Cash flow adequacy ratio (%)		193	86	34	50	10	61
	Cash reinvestment ratio (%)		-2.7	12.68	2.97	4.68	10.54	-8.43
Leverage	Operations leverage		5.23	-7.43	-19.22	15.67	10.99	90.13
	Financial leverage		1.24	0.74	0.48	1.66	1.29	-0.34

Notes to changes in financial ratio

1. Financial structure: no significant changes.
2. Ability to repay debt: the decline of current assets and current liabilities caused a rise of current ratio and quick ratio.
3. Utility: Intensification of account receivable management that caused the daily sales outstanding and average day's sales decline in 2016.
4. Profitability: profit in 2016 indicated an improvement from the same period in 2015.
5. Cash flow: mainly because of the cash flow from operations in 2016 that caused a decline of ratios related to cash flows.
6. Leverage: the leverage of 2016 was higher than in 2015 mainly because of the increase in revenues for the year.

Note 1: The consolidated financial information covering the period of January 1 2012 to March 31 2017 were audited or reviewed.

Equation for financial analysis calculations:

1. Financial structure

- (1) Liabilities to assets ratio = total liabilities / total assets
- (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities) / property, plant, and equipment - net

2. Ability to repay debt

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets – inventory – prepayments) / current liabilities.
- (3) Debt service coverage ratio = EBIT / interest expense in current period.

3. Utility

- (1) Receivable (including account receivable and note receivable deriving from business operation) turnover = net sale / balance of average receivable in various periods (including account receivable and note receivable deriving from business operation).
- (2) Average daily sales outstanding = 365 / receivable turnover rate.
- (3) Inventory turnover = cost of sale / average inventory.
- (4) Payable (including account payable and note payable deriving from business operation) turnover rate = cost of sale / balance of average payable in various periods (including account payable and note payable deriving from business operation).
- (5) Average days for selling = 365 / inventory turnover rate.
- (6) Property, plant, and equipment turnover rate = net sale / net average property, plant, and equipment
- (7) Total assets turnover rate = net sale / average total assets.

4. Profitability

- (1) Return on assets = (Earnings + interest expense × (1 - tax rate)) / average total assets.
- (2) Return on equity = Earnings / average total equity.
- (3) Net profit rate = Earnings / net sale.
- ((4) Earnings per share = Shareholders' equity attributable to parent company – preferred share dividends) / weighted average quantity of outstanding shares.

5. Cash flow

- (1) Cash flow ratio = net cash flow from operation / current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow from operation in the last 5 years / (capital spending + rate of increase of inventory + cash dividend in the last 5 years).
- (3) Cash reinvestment ratio = (net cash flow from operation – cash dividend) / (gross property, plant, and equipment + long-term investment + other non-current assets + working capital).

6. Leverage:

- (1) Operation leverage = (net sale – variable operation cost and expense) / operating income.
- (2) Financial leverage = operating income / (operating income – interest expense).

2. Financial Analysis- IAS(separate)

2. Financial Analysis (Note 1)			Financial analysis covering the last 4 years (Note 1)				
Year			2016	2015	2014	2013	2012
Items for analysis			2016	2015	2014	2013	2012
Financial	Liabilities to assets ratio (%)		37	41	50	50	49
	Long-term capital to fixed assets ratio(%)		385	382	407	415	392
Ability to repay debt	Current ratio (%)		154	124	149	194	207
	Quick ratio(%)		119	97	116	147	132
	Debt service coverage ratio (times)		7	-1	2	6	6
Utility	Account receivable turnover (times)		1.59	1.36	1.41	2.12	1.72
	Daily sales outstanding		229	268	259	172	212
	Inventory turnover (times)		2.93	3.46	2.95	3.28	2.69
	Payable turnover rate (times)		3.71	4.93	5.12	7.18	5.41
	Average days for selling		125	105	124	111	136
	Fixed assets turnover (times)		1.56	2.24	2.77	3.77	3.3
	Total assets turnover (times)		0.30	0.38	0.45	0.61	0.59
Profitability	Return on Assets (%)		3.07	-0.64	0.99	3.13	2.68
	Return on equity (%)		4.33	-1.92	0.84	5.23	4.49
	Ratio to paid-in capital (%)	Operating income	-1.38	-2.94	6.51	7.83	8.85
		Earnings before taxation	6.68	-1.61	1.96	8.54	8.6
	Net profit rate (%)		8.77	-2.85	0.96	4.18	3.9
	Earnings per share (NTD)	Cum-dividend in retrospect	0.56	-0.24	0.12	0.73	0.63
		Ex-dividend in retrospect	0.56	-	-	0.73	0.62
Cash flow	Cash flow ratio (%)		8.34	46.56	18.09	23.63	44.22
	Cash flow adequacy ratio (%)		2654	613	94	56	44
	Cash reinvestment ratio (%)		1	19	4	6	10
Leverage	Operation leverage		-9.22	-4.31	4.1	4.8	3.7
	Financial leverage		0.57	0.73	1.42	1.27	1.23
Notes to changes in financial ratio							
Financial structure: capital has been raised to retire loans under financial planning, that caused a decline in the liabilities to assets ratio in 2016.							
Ability to repay debt: the increase of earnings in current period contributed to a rise of debt service coverage ratio.							
Utility: no significant change.							
Profitability: Profit in 2016 was at a higher level than in the same period of 2015.							
Cash flow: the cash out from operation in 2016 caused a decline of the cash flow ratio.							
Leverage: the leverage in 2016 indicated a decline when compared with 2015 due to a decrease of operating income in 2016.							

Note 1: The separate financial information covering the last 5 years were audited and certified.

(III) Financial Analysis –SFAS of the Republic of China

Items for analysis			Financial analysis covering the last 5 years (Note 1)				
			2016	2015	2014	2013	2012
Financial Structure	Liabilities to assets ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	47
	Long-term capital to fixed assets ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	399
Ability to Repay debt	Current ratio(%)		Not applicable	Not applicable	Not applicable	Not applicable	203
	Quick ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	130
	Debt service coverage ratio (times)		Not applicable	Not applicable	Not applicable	Not applicable	6
Utility	Receivable turnover(times)		Not applicable	Not applicable	Not applicable	Not applicable	2
	Daily sales outstanding		Not applicable	Not applicable	Not applicable	Not applicable	216
	Inventory turnover(times)		Not applicable	Not applicable	Not applicable	Not applicable	2.68
	Payable turnover (times)		Not applicable	Not applicable	Not applicable	Not applicable	5.38
	Average days for selling		Not applicable	Not applicable	Not applicable	Not applicable	136
	Fixed assets turnover (times)		Not applicable	Not applicable	Not applicable	Not applicable	3
	Total assets turnover (times)		Not applicable	Not applicable	Not applicable	Not applicable	1
Profitability	Return on Assets (%)		Not applicable	Not applicable	Not applicable	Not applicable	3
	Return on equity (%)		Not applicable	Not applicable	Not applicable	Not applicable	4
	Ratio to paid-in capital (%)	Operating income	Not applicable	Not applicable	Not applicable	Not applicable	9
		Earnings before taxes	Not applicable	Not applicable	Not applicable	Not applicable	8
	Net profit rate(%)		Not applicable	Not applicable	Not applicable	Not applicable	4
	Earnings per share	Cum-dividends in retrospect	Not applicable	Not applicable	Not applicable	Not applicable	0.62

	(N T D)	Ex-dividends in retrospect	Not applicable	Not applicable	Not applicable	Not applicable	-
Cash Flow	Cash flow ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	44
	Cash flow adequacy ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	5
	Cash re-investment ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	10
Leverage	Operation leverage		Not applicable	Not applicable	Not applicable	Not applicable	3.74
	Financial leverage		Not applicable	Not applicable	Not applicable	Not applicable	1.23
Notes to changes in financial ratio							
Financial Structure: The decline of liability ratio and rise of long-term capital ratio was the result of the decrease of liabilities and the adjustment of loan structurein 2012.							
Ability to Repay Debt: Both the current ratio and quick ratio were improved due to the decrease of liabilities and the adjustment of loan structure.							
Utility: The sale in 2012 was not as good as expected under the weak economic performance in Europe, the USA, and Mainland China, to the extent that the daily sales outstanding and average days for selling in2012 became longer.							
Profitability: profitability in 2012 was not as good as in 2011.							
Cash flow: Cash flow ratio moved up due to the cash inflow from operation in 2012.							
Leverage: the leverage of 2012 was lower than in 2011 due to the increase of operating income in 2012.							

Note: the financial information covering the last 5 years were audited and certified.

(IV) Financial Analysis –SFAS of the Republic of China (consolidated)

Items for analysis			Financial analysis covering the last 5 years (Note 1)				
			2016	2015	2014	2013	2012
Financial Structure	Liabilities to assets ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	48
	Long-term capital to fixed assets ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	338
Ability to repay debt	Current ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	287
	Quick ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	178
	Debt service coverage ratio (times)		Not applicable	Not applicable	Not applicable	Not applicable	6
Utility	Account receivable turnover (times)		Not applicable	Not applicable	Not applicable	Not applicable	2
	Daily sales outstanding		Not applicable	Not applicable	Not applicable	Not applicable	179
	Inventory turnover (times)		Not applicable	Not applicable	Not applicable	Not applicable	1.89
	Payable turnover rate (times)		Not applicable	Not applicable	Not applicable	Not applicable	5.45
	Average days for selling		Not applicable	Not applicable	Not applicable	Not applicable	193
	Fixed assets turnover (times)		Not applicable	Not applicable	Not applicable	Not applicable	3
	Total assets turnover (times)		Not applicable	Not applicable	Not applicable	Not applicable	1
Profitability	Return on Assets (%)		Not applicable	Not applicable	Not applicable	Not applicable	3
	Return on equity (%)		Not applicable	Not applicable	Not applicable	Not applicable	4
	Ratio to paid-in capital (%)	Operating income	Not applicable	Not applicable	Not applicable	Not applicable	7
		Earnings before taxes	Not applicable	Not applicable	Not applicable	Not applicable	8
	Net profit rate (%)		Not applicable	Not applicable	Not applicable	Not applicable	3
	Earnings per share (NTD)	Cum-dividends in retrospect	Not applicable	Not applicable	Not applicable	Not applicable	0.62
		Ex-dividends in retrospect	Not applicable	Not applicable	Not applicable	Not applicable	-
Cash flow	Cash flow ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	44
	Cash flow adequacy ratio (%)		Not applicable	Not applicable	Not applicable	Not applicable	9
	Cash reinvestment ratio		Not	Not	Not	Not	11

	(%)	applicable	applicable	applicable	applicable	
Leverage	Operation leverage	Not applicable	Not applicable	Not applicable	Not applicable	12
	Financial leverage	Not applicable	Not applicable	Not applicable	Not applicable	1.31

Notes to changes in financial ratio

Financial Structure: The decline of liability ratio and rise of long-term capital ratio was the result of the decrease of liabilities and the adjustment of loan structure.

Ability to Repay Debt: Both the current ratio and quick ratio were improved due to the decrease of liabilities and the adjustment of loan structure.

Utility: The sale in 2012 was not as good as expected under the weak economic performance in Europe, the USA, and Mainland China, to the extent that the daily sales outstanding and average days for selling became longer.

Profitability: profitability in 2012 was not as good as in 2011.

Cash flow: Cash flow ratio moved up due to the cash inflow from operation in 2012.

Leverage: the leverage in 2012 was at the same level in 2011.

Note 1: the consolidated financial information covering the last 5 years were audited and certified.

Equation for financial analysis calculation:

1. Financial structure

- (1) Liabilities to assets ratio = total liabilities/total assets.
- (2) Long-term capital to fixed assets ratio = (net shareholders' equity + long-term liabilities)/net fixed assets.

2. Ability to repay debt

- (1) Current ratio = current assets/current liabilities .
- (2) Quick ratio = (current assets – inventory – pre-payments)/current liabilities .
- (3) Debt service coverage ratio = EBIT/interest expense in current period .

3. Utility

- (1) Receivables (including account receivable and note receivable deriving from business operation) turnover = net sale/balance of average receivable in various periods (including account receivable and notes receivable deriving from business operation).
- (2) Average daily sales outstanding = 365 /receivable turnover rate .
- (3) Inventory turnover = cost of sale /average inventory .
- (4) Payables (including account payable and notes payable deriving from business operation) turnover rate = cost of sale/ balance of average payable in various periods (including account payable and notes payable deriving from business operation).
- (5) Average days for selling = 365 /inventory turnover rate .
- (6) Fixed assets turnover rate = net sale /net fixed assets.
- (7) Total assets turnover rate = net sale /average total assets .

4. Profitability

- (1) Return on assets = (Earnings + interest expense × (1-tax rate))/average total assets .
- (2) Return on equity = Earnings /average total equity .
- (3) Net profit rate = Earnings/net sale .
- (4) Earnings per share = (Shareholders' equity attributable to parent company –preferred share dividends)/weighted average quantity of outstanding shares .

5. Cash flow

- (1) Cash flow ratio = net cash flow from operation/current liabilities .
- (2) Net cash flow adequacy ratio = Net cash flow from operation in the last 5 years /capital spending + rate of increase of inventory + cash dividends of the last 5 years).
- (3) Cash reinvestment ratio = (net cash flow from operation– cash dividend)/(gross fixed assets+ long-term investment + other non-current assets + working capital)

6. Leverage:

- (1) Operation leverage = (net sale – variable operation cost and expense)/operating income.
- (2) Financial leverage = (operating income/(operating income – interest expense)).

III. Supervisors' Review Report

Anderson Group Supervisors' Review Report

The Board of Directors of Anderson Group compiled the Operation Highlight, Separate Financial Statements and Consolidated Financial Statements of fiscal year 2016, and also the proposal for the distribution of earnings. The aforementioned separate financial statements and consolidated financial statements were audited by the CPAs of Deloitte Taiwan with the issuance of Auditor's Report.

We have reviewed the aforementioned statements and reports and confirmed that they were compiled in accordance with applicable laws and will present for ratification pursuant to Article 219 of the Company Act.

To

General Meeting of Shareholders, regular session of 2017.

Supervisor: Chu Yung-Ta

Supervisor: Lee Huei-Chin

March 31 2017

IV. Financial statements covering the most recent period

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Anderson Industrial Corporation

Opinion

We have audited the accompanying financial statements of Anderson Industrial Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Corporation's financial statements for year 2016 are stated as follows:

Inventory Provision

As of December 31, 2016, the balance of inventory held by the Corporation was \$254,449 thousand, a significant amount representing 7% of total assets. Because assessment of net realizable value of inventory is an area of the Corporation's significant judgement based on IAS 12 "Inventory", we believe that inventory provision is one of key audit matters. Please refer to Notes 5 and 8 to the financial statements.

Our primary audit procedures in respect of this area included understanding the appropriateness of inventory provisioning policy, assessing the reasonableness of net realizable value by performing tests of samples of sales, reviewing and implementing year-end inventory count, assessing the condition of the inventory and recalculating the amount of inventory provision.

Estimated Impairment of Accounts Receivable

As of December 31, 2016, the balance of accounts receivable held by the Corporation was \$595,776 thousand, a significant amount representing 17% of total assets. The evaluation of accounts receivable provision for loss, credit risk and appropriateness of provisioning policy is an area of significant judgment; therefore, we believe that the estimated impairment of accounts receivable is a key audit matter. Please refer to Notes 5 and 7 to the financial statements.

Our primary audit procedures in respect of this area included assessing the appropriateness of accounts receivable provisioning policy, testing the validity of the aging reports, analyzing circumstances of accounts receivable movements and significant past due accounts receivable, assessing the reasonableness of individual accounts receivable impairment, confirming whether there is any sign of impairment or not at the end of the year. Recoverability was also tested by vouching cash receipts after the year end date.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with statements 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 financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Yu Wei Fan and Hsin Wei Tai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 31, 2017

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

ANDERSON INDUSTRIAL CORPORATION

BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 112,235	3	\$ 303,610	8
Available-for-sale financial assets - current (Notes 4 and 22)	18,753	1	27,230	1
Debt investments with no active market - current (Note 4)	10,000	-	10,000	-
Notes receivable, net (Notes 4 and 7)	19,751	1	34,516	1
Accounts receivable - third parties (Notes 4, 7, 22 and 24)	142,457	4	220,429	6
Accounts receivable - related parties (Notes 7 and 23)	453,319	13	487,078	13
Other receivables (Notes 4 and 23)	162,396	4	89,368	2
Inventories (Notes 4 and 8)	254,449	7	290,856	7
Prepayments (Note 23)	18,020	-	26,699	1
Other current assets	570	-	8,721	-
Total current assets	1,191,950	33	1,498,507	39
NON-CURRENT ASSETS				
Investments accounted for using the equity method (Notes 4, 9 and 10)	1,589,315	44	1,488,654	39
Property, plant and equipment (Notes 4, 10, 23 and 24)	718,882	20	645,386	17
Intangible assets (Notes 4 and 11)	40,030	1	41,407	1
Deferred tax assets (Notes 4 and 18)	34,237	1	39,423	1
Long-term notes and accounts receivable (Notes 4, 7 and 24)	-	-	54,065	2
Other non-current assets (Note 24)	51,210	1	43,418	1
Total non-current assets	2,433,674	67	2,312,353	61
TOTAL	\$ 3,625,624	100	\$ 3,810,860	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 12 and 24)	\$ 260,000	7	\$ 693,696	18
Notes payable	2,331	-	12,772	-
Accounts payable (Note 23)	217,117	6	198,266	5
Other payables (Notes 13 and 23)	101,730	3	130,672	4
Provisions - current (Note 4)	13,075	1	17,629	1
Current portion of long-term borrowings (Notes 12 and 24)	150,875	4	107,057	3
Other current liabilities	30,683	1	52,778	1
Total current liabilities	775,811	22	1,212,870	32
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 12 and 24)	471,611	13	206,744	6
Deferred tax liabilities (Note 18)	13,912	-	-	-
Net defined benefit liabilities (Notes 4 and 14)	66,106	2	129,751	3
Other non-current liabilities	344	-	40	-
Total non-current liabilities	551,973	15	336,535	9
Total liabilities	1,327,784	37	1,549,405	41
EQUITY (Notes 4 and 15)				
Share capital				
Common stock	1,800,000	50	1,800,000	47
Capital surplus	319,573	9	337,206	9
Retained earnings				
Legal reserve	163,053	4	163,053	4
Unappropriated earnings	100,810	3	2,800	-
Total retained earnings	263,863	7	165,853	4
Other equity				
Exchange differences on translating foreign operations	(43,573)	(2)	(6,849)	-
Unrealized loss on available-for-sale financial assets	(7,051)	-	(4,692)	-
Total other equity	(50,624)	(2)	(11,541)	-
Treasury shares	(34,972)	(1)	(30,063)	(1)
Total equity	2,297,840	63	2,261,455	59
TOTAL	\$ 3,625,624	100	\$ 3,810,860	100

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

ANDERSON INDUSTRIAL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 16 and 23)	\$ 1,123,840	100	\$ 1,446,687	100
OPERATING COSTS (Notes 8, 17 and 23)	<u>799,030</u>	<u>71</u>	<u>1,159,009</u>	<u>80</u>
GROSS PROFIT	324,810	29	287,678	20
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES	<u>12,782</u>	<u>1</u>	<u>5,491</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>337,592</u>	<u>30</u>	<u>293,169</u>	<u>20</u>
OPERATING EXPENSES (Notes 4 and 17)				
Selling and marketing expenses	144,126	13	144,716	10
General and administrative expenses	168,817	15	148,576	10
Research and development expenses	<u>49,521</u>	<u>4</u>	<u>52,808</u>	<u>4</u>
Total operating expenses	<u>362,464</u>	<u>32</u>	<u>346,100</u>	<u>24</u>
LOSS FROM OPERATIONS	<u>(24,872)</u>	<u>(2)</u>	<u>(52,931)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 17)				
Other income (Note 23)	72,008	7	43,819	3
Other gains and losses	(33,040)	(3)	14,588	1
Finance costs	(18,546)	(2)	(19,132)	(1)
Share of profits (losses) of subsidiaries and associates accounted for using the equity method (Note 9)	<u>124,729</u>	<u>11</u>	<u>(15,361)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>145,151</u>	<u>13</u>	<u>23,914</u>	<u>2</u>
PROFIT (LOSS) BEFORE INCOME TAX	120,279	11	(29,017)	(2)
INCOME TAX EXPENSE (Notes 4 and 18)	<u>(21,663)</u>	<u>(2)</u>	<u>(12,184)</u>	<u>(1)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>98,616</u>	<u>9</u>	<u>(41,201)</u>	<u>(3)</u>

(Continued)

ANDERSON INDUSTRIAL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 298	-	\$ (11,511)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(853)	-	(820)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(51)</u>	<u>-</u>	<u>1,957</u>	<u>-</u>
	<u>(606)</u>	<u>-</u>	<u>(10,374)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(36,724)	(3)	(39,262)	(3)
Unrealized gain (loss) on available-for-sale financial assets	1,523	-	(1,590)	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>(3,882)</u>	<u>(1)</u>	<u>(114)</u>	<u>-</u>
	<u>(39,083)</u>	<u>(4)</u>	<u>(40,966)</u>	<u>(3)</u>
Other comprehensive loss for the year, net of income tax	<u>(39,689)</u>	<u>(4)</u>	<u>(51,340)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 58,927</u>	<u>5</u>	<u>\$ (92,541)</u>	<u>(6)</u>
EARNINGS (LOSS) PER SHARE (Note 19)				
Basic	<u>\$ 0.56</u>		<u>\$ (0.24)</u>	
Diluted	<u>\$ 0.56</u>			

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

(Concluded)

ANDERSON INDUSTRIAL CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Per Share Amount)

						Other Equity			
			Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Treasury Shares	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2015	\$ 1,470,000	\$ 304,206	\$ 161,309	\$ 74,123	\$ 32,413	\$ (2,988)	\$ -	\$ 2,039,063	
Appropriation of 2014 earnings									
Legal reserve	-	-	1,744	(1,744)	-	-	-	-	
Cash dividends distributed by the Corporation - NT\$0.1 per share	-	-	-	(18,000)	-	-	-	(18,000)	
Balance after appropriation	1,470,000	304,206	163,053	54,379	32,413	(2,988)	-	2,021,063	
Net loss for the year ended December 31, 2015	-	-	-	(41,201)	-	-	-	(41,201)	
Other comprehensive loss for the year ended December 31, 2015, net of income tax	-	-	-	(10,374)	(39,262)	(1,704)	-	(51,340)	
Total comprehensive loss for the year ended December 31, 2015	-	-	-	(51,575)	(39,262)	(1,704)	-	(92,541)	
Issue of ordinary shares for cash	330,000	33,000	-	-	-	-	-	363,000	
Buy-back of ordinary shares	-	-	-	-	-	-	(30,063)	(30,063)	
Adjustments from changes in percentage of ownership of subsidiaries	-	-	-	(4)	-	-	-	(4)	
BALANCE AT DECEMBER 31, 2015	1,800,000	337,206	163,053	2,800	(6,849)	(4,692)	(30,063)	2,261,455	
Cash dividends distributed from capital surplus	-	(17,633)	-	-	-	-	-	(17,633)	
Net profit for the year ended December 31, 2016	-	-	-	98,616	-	-	-	98,616	
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	(606)	(36,724)	(2,359)	-	(39,689)	
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	98,010	(36,724)	(2,359)	-	58,927	
Buy-back of ordinary shares	-	-	-	-	-	-	(4,909)	(4,909)	
BALANCE AT DECEMBER 31, 2016	\$ 1,800,000	\$ 319,573	\$ 163,053	\$ 100,810	\$ (43,573)	\$ (7,051)	\$ (34,972)	\$ 2,297,840	

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

ANDERSON INDUSTRIAL CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 120,279	\$ (29,017)
Adjustments for:		
Depreciation expenses	55,047	44,852
Amortization expenses	1,377	5,358
Impairment loss recognized (reversal of impairment loss) on accounts receivable	4,593	(11,795)
Finance costs	18,546	19,132
Interest income	(1,297)	(1,136)
Share of (profit) loss of subsidiaries and associates accounted for using the equity method	(124,729)	15,361
Loss on disposal of property, plant and equipment, net	63	1,539
(Gain) loss on disposal of available-for-sale financial assets, net	136	(757)
Loss on disposal of investments accounted for using the equity method	8	-
Reversal of impairment loss on non-financial assets	(826)	(12,115)
(Realized) unrealized profit with subsidiaries	(12,782)	47,063
Changes in operating assets and liabilities		
Notes receivable	14,765	21,767
Accounts receivable (including - long-term receivables)	127,444	211,084
Accounts receivable - related parties (including - long-term receivables)	33,759	386,873
Other receivables	(73,028)	(60,576)
Inventories	37,389	100,152
Prepayments	(14,071)	674
Other current assets	8,151	(7,881)
Notes payable	(10,441)	12,772
Accounts payable	18,851	(61,308)
Other payables	(28,893)	(61,958)
Provisions	(4,554)	(5,703)
Other current liabilities	(21,791)	19,543
Net defined benefit liabilities	(63,348)	(3,419)
Cash generated from operations	84,648	630,505
Interest received	1,297	1,136
Interest paid	(18,595)	(18,321)
Income tax paid	(2,616)	(48,631)
Net cash generated from operating activities	64,734	564,689

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of available-for-sale financial assets	9,864	16,589
Proceeds from redemption of debt investments with no active market	-	974
Purchase of investments accounted for using the equity method	(409,202)	(373,416)
Proceeds from disposal of investment accounted for using the equity method	383,396	-

(Continued)

ANDERSON INDUSTRIAL CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Payments for property, plant and equipment	\$ (106,076)	\$ (35,907)
Proceeds from disposal of property, plant and equipment	64	33
Decrease (increase) in refundable deposits	(1,186)	8,111
Increase in non-current assets	(6,606)	(11,759)
Dividends received from subsidiaries	<u>21,190</u>	<u>20,000</u>
Net cash used in investing activities	<u>(108,556)</u>	<u>(375,375)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(433,696)	373,696
Proceeds from long-term borrowings	470,000	-
Repayment of long-term borrowings	(161,315)	(698,909)
Cash dividends paid	(17,633)	(18,000)
Issue of ordinary shares for cash	-	363,000
Payments for buy-back of ordinary shares	<u>(4,909)</u>	<u>(30,063)</u>
Net cash used in financing activities	<u>(147,553)</u>	<u>(10,276)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(191,375)	179,038
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>303,610</u>	<u>124,572</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 112,235</u>	<u>\$ 303,610</u>

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

(Concluded)

ANDERSON INDUSTRIAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Anderson Industrial Corporation (the “Corporation”) was incorporated in the Republic of China (ROC) in July 1972. The Corporation is mainly engaged in the import and export of computer numerical control (CNC) machinery, tooling, lumber, wood panels, and building materials.

On October 11, 2000, the Corporation’s shares were listed on the Taiwan Stock Exchange (TWSE).

The financial statements are presented in the Corporation’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 31, 2017.

3. APPLICATION OF NEW, AMENDED OR REVISED STANDARDS AND INTERPRETATIONS

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Corporation should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014
	(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant dates on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition dates on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Corporation’s accounting policies, except for the following:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Corporation or is the spouse or second immediate family of the chairman of the board of directors or president of the Corporation are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Corporation has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Corporation’s respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operations after a business combination and the expected benefits on the acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impact, as of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the amendments to IFRSs to be applied in 2017 will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

b. New IFRSs issued by IASB but not yet endorsed by the FSC

The Corporation has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. The FSC announced that amendments to IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other New IFRSs.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
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
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Corporation's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Corporation's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, if any, recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Corporation may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the expected credit loss model. A credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since its initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since its initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for accounts receivable that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Corporation takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period, and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively, and the accounting for hedging options shall be applied retrospectively.

Except for the above impact, as of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety. The levels are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

As the parent company of a group, when preparing its parent company only financial statements, the Corporation used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in the accounting treatment between the parent company only basis and the consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

e. Foreign currencies

In preparing the Corporation's financial statements, transactions in currencies other than the Corporation's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of preparing the Corporation's financial statements, the functional currencies of the Corporation (including subsidiaries in other countries that use currency different from the currency of the Corporation) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired in the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories, which comprise finished goods, work-in-process, raw materials and merchandise, are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

g. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity (including a structured entity) that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share in the equity of subsidiaries attributable to the Corporation.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share in losses of a subsidiary exceeds the interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries of parties that are not related to the Corporation.

h. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

Available-for-sale equity investments that do not have quoted market price in an active market and whose fair value that cannot be reliably measured and derivatives that are linked to and must be settled by delivery of those unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including cash and cash equivalent, debt investments with no active market, notes and accounts receivable (including long-term receivables), and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as notes receivable and accounts receivable (including long-term receivables) assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of non-collection of payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event that occurred after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it is becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable where the carrying amount is reduced through the use of an allowance account. When accounts receivable and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

l. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Corporation's obligation by the management of the Corporation.

m. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Corporation does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

Dividend income from investments is recognized when a shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and applicable effective interest rate.

n. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Corporation as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Corporation as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Corporation's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

A liability for termination benefits is recognized at the earlier of when the Corporation can no longer withdraw the offer of the termination benefits or when the Corporation recognizes any related restructuring costs.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences or unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current tax and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Corporation takes into consideration the estimation of future cash flows. 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 2,251	\$ 1,500
Checking accounts and demand deposits	109,984	166,916
Cash equivalent		
Time deposits with original maturities less than three months	<u>-</u>	<u>135,194</u>
	<u>\$ 112,235</u>	<u>\$ 303,610</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2016	2015
Bank balance	0.01%-0.32%	0.001%-0.4%

7. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2016	2015
Notes receivable	<u>\$ 19,751</u>	<u>\$ 34,516</u>
Accounts receivable	\$ 600,762	\$ 780,397
Less: Allowance for impairment loss	<u>(4,986)</u>	<u>(18,825)</u>
	<u>\$ 595,776</u>	<u>\$ 761,572</u>
Current	\$ 595,776	\$ 707,507
Non-current	<u>-</u>	<u>54,065</u>
	<u>\$ 595,776</u>	<u>\$ 761,572</u>

Accounts Receivable

The average credit period of sales of goods was 90-180 days. In determining the recoverability of accounts receivable, the Corporation considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss is based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the accounts receivable balances that were past due at the end of the reporting period, the Corporation did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Corporation did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31	
	2016	2015
Less than 180 days	\$ 588,309	\$ 744,436
181-365 days	11,066	5,666
More than 365 days	<u>1,387</u>	<u>30,295</u>
	<u>\$ 600,762</u>	<u>\$ 780,397</u>

The above aging schedule was based on the invoice date.

The aging of receivables that were past due but not impaired was as follows:

	December 31	
	2016	2015
Less than 180 days	\$ -	\$ 46,216
181-365 days	-	4,851
More than 365 days	<u>-</u>	<u>12,554</u>
	<u>\$ -</u>	<u>\$ 63,621</u>

The above aging schedule was based on the invoice date.

The movements of the allowance for doubtful accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	\$ 30,620	\$ -	\$ 30,620
Less: Impairment losses reversed	<u>(11,795)</u>	<u>-</u>	<u>(11,795)</u>
Balance at December 31, 2015	<u>\$ 18,825</u>	<u>\$ -</u>	<u>\$ 18,825</u>

(Continued)

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	\$ 18,825	\$ -	\$ 18,825
Less: Amounts written off during the year as uncollectable	(18,432)	-	(18,432)
Add: Impairment losses recognized on receivable	<u>50</u>	<u>4,543</u>	<u>4,593</u>
Balance at December 31, 2016	<u>\$ 443</u>	<u>\$ 4,543</u>	<u>\$ 4,986</u> (Concluded)

Refer to Note 22(e) for details of the factoring agreements for accounts receivable.

Refer to Note 24 for details of collaterals that the Corporation held for these balances.

8. INVENTORIES

	December 31	
	2016	2015
Finished goods	\$ 15,932	\$ 23,426
Work in progress	112,604	115,383
Raw materials	106,324	134,234
Merchandise	<u>19,589</u>	<u>17,813</u>
	<u>\$ 254,449</u>	<u>\$ 290,856</u>

The cost of goods sold for the years ended December 31, 2016 and 2015 included reversal of inventory write-downs of \$826 thousand and \$12,115 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets.

9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31	
	2016	2015
Investments in subsidiaries	<u>\$ 1,589,315</u>	<u>\$ 1,488,654</u>

a. Investments in subsidiaries

	December 31	
	2016	2015
Anderson Industrial (Hong Kong) Ltd. (Anderson Industrial)	\$ 33,575	\$ 35,942
Anderson Europe GmbH	157,072	67,732
Anderson America Corporation (U.S.A.) (Anderson America)	17,849	2,358
CNT Industrial (Shang-Hai) Co., Ltd. (CNT)	397,394	397,270
Shen-de Corporation	201,990	207,395
Digital Photonics Corporation	-	17,394
		(Continued)

	December 31	
	2016	2015
Jentec Machinery (Shanghai) Co., Ltd. (Jentec)	\$ 77,112	\$ 104,372
Anderson Merchandise Corporation	96,998	81,064
Giben Holdings Co., Ltd. (BVI) (Giben BVI)	284,624	293,034
Giben Holdings Co., Ltd. (SAMOA) (Giben SAMOA)	189,145	139,697
Sogotec Enterprise Co., Ltd. (Sogotec)	<u>133,556</u>	<u>142,396</u>
	<u>\$ 1,589,315</u>	<u>\$ 1,488,654</u>
		(Concluded)

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Corporation were as follows:

	December 31	
Name of Subsidiaries	2016	2015
Anderson Industrial	100.00%	100.00%
Anderson Europe GmbH	100.00%	100.00%
Anderson America	100.00%	100.00%
CNT	100.00%	100.00%
Shen-de Corporation	100.00%	100.00%
Digital Photonics Corporation	-	94.50%
Jentec	100.00%	100.00%
Anderson Merchandise Corporation	100.00%	100.00%
Giben BVI	100.00%	100.00%
Giben SAMOA	100.00%	100.00%
Sogotec	70.63%	70.63%

In July 2015, Sogotec offset its deficit by reducing capital by \$177,388 thousand, then issued 10,700 thousand ordinary shares (\$18 per share) for consideration of \$192,600 thousand. The Corporation subscribed for 10,595 thousand ordinary shares for consideration of \$190,710 thousand, which represented 70.66% ownership in Sogotec. The Corporation's comprehensive ownership in Sogotec decreased from 99.82% to 99.25%.

On May 10, 2016, the board of directors of Digital Photonics Corporation resolved to liquidate the Corporation, and the process of liquidation was completed on December 26, 2016.

On May 10, 2016, the board of directors of Anderson Industrial resolved to liquidate the Corporation. As of December 31, 2016, the process of liquidation was still ongoing.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the subsidiaries' financial statements audited by auditors for the same years.

b. Investment in associates

On March 29, 2016, the Corporation and Parpro Corporation jointly incorporated the holding company named Parpro Quality Inc.; the Corporation's investment was \$360,719 thousand (US\$11,045 thousand). Parpro Quality Inc. acquired 100% ownership in Parpro Technology Inc. (original name Cal Quality Electronics Inc.) for consideration of \$767,487 thousand (US\$23,500 thousand). Through this transaction, the Corporation acquired 47% ownership in Parpro Technology Inc. and the acquisition date was April 1, 2016.

On June 22, 2016, the Corporation's board of directors resolved to sell its 47% ownership in Parpro

Technology Inc. to Parpro Corporation and completed the related process of the transaction on June 30, 2016. This transaction resulted in the recognition of a gain in profit or loss, calculated as follows:

Proceeds of disposal	\$ 370,530
Less: Carrying amount of investment on the date of loss of significant influence	<u>(366,271)</u>
Gain recognized	<u>\$ 4,259</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Research and Development Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2015	\$ 124,258	\$ 683,364	\$ 98,295	\$ 28,921	\$ 74,859	\$ 1,009,697
Additions	-	2,903	15,022	15,400	2,582	35,907
Disposals	-	(3,081)	(2,709)	(2,864)	(8,134)	(16,788)
Balance at December 31, 2015	<u>124,258</u>	<u>683,186</u>	<u>110,608</u>	<u>41,457</u>	<u>69,307</u>	<u>1,028,816</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2015	-	211,601	60,755	15,569	65,869	353,794
Disposals	-	(2,905)	(2,021)	(2,763)	(7,527)	(15,216)
Depreciation	-	27,719	10,074	3,813	3,246	44,852
Balance at December 31, 2015	-	<u>236,415</u>	<u>68,808</u>	<u>16,619</u>	<u>61,588</u>	<u>383,430</u>
Carrying amounts at December 31, 2015	<u>\$ 124,258</u>	<u>\$ 446,771</u>	<u>\$ 41,800</u>	<u>\$ 24,838</u>	<u>\$ 7,719</u>	<u>\$ 645,386</u>
<u>Cost</u>						
Balance at January 1, 2016	\$ 124,258	\$ 683,186	\$ 110,608	\$ 41,457	\$ 69,307	\$ 1,028,816
Additions	-	91,644	9,755	2,258	2,419	106,076
Disposals	-	(341)	-	(373)	(5,243)	(5,957)
Reclassification	-	12,314	817	9,583	(1,981)	20,733
Balance at December 31, 2016	<u>124,258</u>	<u>786,803</u>	<u>121,180</u>	<u>52,925</u>	<u>64,502</u>	<u>1,149,668</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2016	-	236,415	68,808	16,619	61,588	383,430
Disposals	-	(311)	-	(369)	(5,150)	(5,830)
Depreciation	-	29,192	11,574	11,358	2,923	55,047
Reclassification	-	-	-	-	(1,861)	(1,861)
Balance at December 31, 2016	-	<u>265,296</u>	<u>80,382</u>	<u>27,608</u>	<u>57,500</u>	<u>430,786</u>
Carrying amounts at December 31, 2016	<u>\$ 124,258</u>	<u>\$ 521,507</u>	<u>\$ 40,798</u>	<u>\$ 25,317</u>	<u>\$ 7,002</u>	<u>\$ 718,882</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Building	3-55 years
Machinery	5-22 years
Research and development equipment	3-9 years
Other equipment	2-17 years

In August 1996, the Corporation purchased land in Houlong Township of Miaoli County for \$11,000 thousand. However, due to the statutory restrictions on the transfer of farmland, the title deed has not been legally transferred to the Corporation; therefore, the Corporation made an entrusting contract with the seller to prevent any future claims on the land by the seller, the seller's heir at law, or any other third parties. In addition, if the land zoning is changed, the seller is obligated to transfer the title immediately. Accordingly, the farmland is recorded under other non-current assets. In March 2005, the Corporation applied to the Land Office for the modification of land usage and changed parts of the land's zoning designation from farmland to construction use, which amounted to \$4,518 thousand. Accordingly, the Corporation has been registered as the legal owner, and has reclassified such land to property, plant and equipment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 24.

11. INTANGIBLE ASSETS

	Patent	Trademark	Total
<u>Cost</u>			
Balance at January 1, 2015	\$ 49,850	\$ 33,664	\$ 83,514
Additions	-	-	-
Balance at December 31, 2015	<u>49,850</u>	<u>33,664</u>	<u>83,514</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2015	36,749	-	36,749
Amortization expense	<u>5,358</u>	<u>-</u>	<u>5,358</u>
Balance at December 31, 2015	<u>42,107</u>	<u>-</u>	<u>42,107</u>
Carrying amounts at December 31, 2015	<u>\$ 7,743</u>	<u>\$ 33,664</u>	<u>\$ 41,407</u>
<u>Cost</u>			
Balance at January 1, 2016	\$ 49,850	\$ 33,664	\$ 83,514
Additions	-	-	-
Balance at December 31, 2016	<u>49,850</u>	<u>33,664</u>	<u>83,514</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2016	42,107	-	42,107
Amortization expense	<u>1,377</u>	<u>-</u>	<u>1,377</u>
Balance at December 31, 2016	<u>43,484</u>	<u>-</u>	<u>43,484</u>
Carrying amounts at December 31, 2016	<u>\$ 6,366</u>	<u>\$ 33,664</u>	<u>\$ 40,030</u>

Other intangible assets are depreciated on a straight-line basis over the estimated useful lives as follows:

Patents	20 years
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Management believes the Corporation will renew the trademark continuously and has the ability to do so. Various studies including studies about product life cycle, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Corporation, which supported their opinion that there is no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows. Therefore, the trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

12. BORROWINGS

a. Short-term borrowings

	December 31	
	2016	2015
<u>Secured borrowings (Note 24)</u>		
Bank loans	\$ -	\$ 195,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>260,000</u>	<u>498,696</u>
	<u>\$ 260,000</u>	<u>\$ 693,696</u>

The ranges of interest rates on bank loans were 1.17%-1.588% and 0.76%-1.73% per annum as of December 31, 2016 and 2015, respectively.

b. Long-term borrowings

	December 31	
	2016	2015
<u>Secured borrowings (Note 24)</u>		
Bank loans	\$ 476,375	\$ 153,801
<u>Unsecured borrowings</u>		
Bank loans	<u>146,111</u>	<u>160,000</u>
	622,486	313,801
Less: Current portion	<u>(150,875)</u>	<u>(107,057)</u>
Long-term borrowings	<u>\$ 471,611</u>	<u>\$ 206,744</u>

As of December 31, 2016 and 2015, the interest rates of the bank borrowings secured by the Corporation's freehold land and building (see Note 24) were 1.70%-1.89% and 1.17%-2.05% per annum, respectively. The bank borrowings are due in February 2016 to March 2021.

13. OTHER LIABILITIES

	December 31	
	2016	2015
Other payables		
Payable for salaries and bonus	\$ 47,035	\$ 45,393
Payable for commission	24,042	34,738
Payable for bonus to employees and remuneration to directors and supervisors	2,454	1,570
Payable for interest	637	686
Others	<u>27,562</u>	<u>48,285</u>
	<u>\$ 101,730</u>	<u>\$ 130,672</u>

14. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Law are operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Corporation’s defined benefit plans were as follows:

	December 31	
	2016	2015
Present value of funded defined benefit obligation	\$ 134,753	\$ 139,905
Fair value of plan asset	<u>(68,647)</u>	<u>(10,154)</u>
Deficit	66,106	129,751
Unrecognized actuarial loss, net	<u>-</u>	<u>-</u>
Net defined benefit liability	<u>\$ 66,106</u>	<u>\$ 129,751</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2015	\$ 128,566	\$ (6,907)	\$ 121,659
Service cost			
Current service cost	1,942	-	1,942
Net interest expense (income)	<u>2,570</u>	<u>(168)</u>	<u>2,402</u>
Recognized in profit or loss	<u>4,512</u>	<u>(168)</u>	<u>4,344</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(70)	(70)
Actuarial loss - changes in demographic assumptions	1,091	-	1,091
Actuarial loss - changes in financial assumptions	6,352	-	6,352
Actuarial gain - experience adjustments	<u>2,639</u>	<u>-</u>	<u>2,639</u>
Recognized in other comprehensive income	<u>10,082</u>	<u>(70)</u>	<u>10,012</u>
Contributions from the employer	<u>(3,255)</u>	<u>(3,009)</u>	<u>(6,264)</u>
Balance at December 31, 2015	<u>139,905</u>	<u>(10,154)</u>	<u>129,751</u>
Service cost			
Current service cost	1,359	-	1,359
Net interest expense (income)	<u>2,273</u>	<u>(190)</u>	<u>2,083</u>
Recognized in profit or loss	<u>3,632</u>	<u>(190)</u>	<u>3,442</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(207)	(207)
Actuarial loss - changes in demographic assumptions	748	-	748
Actuarial loss - changes in financial assumptions	5,997	-	5,997
Actuarial loss - experience adjustments	<u>(6,802)</u>	<u>-</u>	<u>(6,802)</u>
Recognized in other comprehensive income	<u>(57)</u>	<u>(207)</u>	<u>(264)</u>
Contributions from the employer	<u>(2,115)</u>	<u>(64,708)</u>	<u>(66,823)</u>
Contributions from the employee	<u>(6,612)</u>	<u>6,612</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 134,753</u>	<u>\$ (68,647)</u>	<u>\$ 66,106</u>

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2016	2015
Discount rate	1.250%	1.625%
Expected rate of salary increase	3.000%	3.000%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2016	2015
Discount rate		
0.25% increase	\$ (4,043)	\$ (4,268)
0.25% decrease	\$ 4,210	\$ 4,466
Expected rate of salary increase		
0.25% increase	\$ 4,067	\$ 4,330
0.25% decrease	\$ (3,927)	\$ (4,178)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2016	2015
The expected contributions to the plan for the next year	\$ 2,638	\$ 64,983
The average duration of the defined benefit obligation	12.2 years	12.5 years

15. EQUITY

a. Share capital

Common stocks

	December 31	
	2016	2015
Number of shares authorized (in thousands)	200,000	200,000
Shares authorized	\$ 2,000,000	\$ 2,000,000
Number of shares issued and fully paid (in thousands)	180,000	180,000
Shares issued	\$ 1,800,000	\$ 1,800,000

A holder of issued common stock with par value of NT\$10 per share is entitled to vote and to receive dividends.

On February 29, 2015, the Corporation's board of directors resolved to issue 33,000 thousand ordinary shares, with a par value of NT\$10 each, for consideration of NT\$11 per share, which will increase the share capital issued and fully paid to \$1,800,000 thousand. On April 22, 2015, the above transaction was approved by the FSC, and the subscription base date was determined by the Corporation's board of directors at April 21, 2015. On May 1, 2015, the Corporation has issued the shares and finished the registration of the new shares.

b. Capital surplus

	December 31	
	2016	2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Recognized from issuance of common stocks	\$ 167,340	\$ 184,973
Recognized from conversion of bonds	99,979	99,979
Recognized from treasury share transactions	<u>52,254</u>	<u>52,254</u>
	<u>\$ 319,573</u>	<u>\$ 337,206</u>

Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act made in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 6, 2016 and, in that meeting, resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonus to shareholders. The settlement of dividends and bonus distribution due to a capital increase in the fiscal year should be resolved in the shareholders' meeting. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 17(e) "Employee benefits expense".

According to the Articles, 30%-100% of dividends are to be distributed as cash dividends and 0%-70% as stock dividends.

A legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2014 which have been approved in the shareholders' meetings on June 30, 2015, were as follows:

	For the Year Ended December 31, 2014	
	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,744	
Cash dividends	18,000	\$0.10

The Corporation's shareholders also resolved to issue cash dividends from capital surplus of \$17,633 thousand (\$0.1 per share) in the shareholders' meeting on June 6, 2016.

The appropriations of earnings for 2016 proposed by the Corporation's board of directors on March 31, 2017 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 9,862	
Cash dividends	35,266	\$0.2

The Corporation's board of directors also proposed to issue cash dividends from capital surplus of \$52,899 thousand (\$0.3 per share) in the meeting of the board of directors on March 31, 2017.

The appropriations of earnings for 2016 are subject to resolution in the shareholders' meeting to be held on June 19, 2017.

d. Treasury shares

Purpose of Buy-Back	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
<u>2016</u>				
Shares transferred to employees (in thousands of shares)	<u>3,119</u>	<u>550</u>	<u>-</u>	<u>3,669</u>
<u>2015</u>				
Shares transferred to employees (in thousands of shares)	<u>-</u>	<u>3,119</u>	<u>-</u>	<u>3,119</u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

16. REVENUE

	For the Year Ended December 31	
	2016	2015
Revenue from the sale of machinery	\$ 926,224	\$ 1,439,601
Revenue from the rendering of services	197,546	7,053
Others	<u>70</u>	<u>33</u>
	<u>\$ 1,123,840</u>	<u>\$ 1,446,687</u>

17. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Other income

	For the Year Ended December 31	
	2016	2015
Rental income	\$ 28,394	\$ 21,734
Interest income	1,297	1,136
Others	<u>42,317</u>	<u>20,949</u>
	<u>\$ 72,008</u>	<u>\$ 43,819</u>

b. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Gain (loss) on disposal of available-for-sale financial assets, net	\$ (136)	\$ 757
Loss on disposal of investment accounted for using the equity method	(8)	-
Loss on disposal of property, plant and equipment	(63)	(1,539)
Net foreign exchange gains (losses)	(32,463)	16,155
Others	<u>(370)</u>	<u>(785)</u>
	<u>\$ (33,040)</u>	<u>\$ 14,588</u>

c. Finance costs

	For the Year Ended December 31	
	2016	2015
Interest on bank loans	<u>\$ 18,546</u>	<u>\$ 19,132</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	\$ 55,047	\$ 44,852
Intangible assets	<u>1,377</u>	<u>5,358</u>
	<u>\$ 56,424</u>	<u>\$ 50,210</u>

(Continued)

	For the Year Ended December 31	
	2016	2015
An analysis of depreciation by function		
Operating costs	\$ 16,121	\$ 13,681
Operating expenses	<u>38,926</u>	<u>31,171</u>
	<u>\$ 55,047</u>	<u>\$ 44,852</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ 3,980
Operating expenses	<u>1,377</u>	<u>1,378</u>
	<u>\$ 1,377</u>	<u>\$ 5,358</u>
		(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2016	2015
Short-term benefits		
Salaries	\$ 189,962	\$ 186,672
Insurance	<u>17,092</u>	<u>13,816</u>
	207,054	200,488
Post-employment benefits		
Defined contribution plans	8,030	7,977
Defined benefit plans	<u>3,442</u>	<u>4,344</u>
	11,472	12,321
Other employee benefits	<u>1,277</u>	<u>1,846</u>
Total employee benefits expense	<u>\$ 219,803</u>	<u>\$ 214,655</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 86,371	\$ 87,459
Operating expenses	<u>133,432</u>	<u>127,196</u>
	<u>\$ 219,803</u>	<u>\$ 214,655</u>

	For the Year Ended December 31					
	2016			2015		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Salaries	\$ 74,475	\$ 115,487	\$ 189,962	\$ 74,871	\$ 111,801	\$ 186,672
Insurance	6,781	10,311	17,092	6,996	6,820	13,816
Pension	4,846	6,626	11,472	4,931	7,390	12,321
Other employee welfare	<u>269</u>	<u>1,008</u>	<u>1,277</u>	<u>661</u>	<u>1,185</u>	<u>1,846</u>
	<u>\$ 86,371</u>	<u>\$ 133,432</u>	<u>\$ 219,803</u>	<u>\$ 87,459</u>	<u>\$ 127,196</u>	<u>\$ 214,655</u>

As of December 31, 2016 and 2015, the Corporation had 280 and 256 employees, respectively.

1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015, and the amended Articles of Incorporation of the Corporation approved by the shareholders in their meeting in June 2016, the Corporation accrued employees' compensation and remuneration of directors and supervisors at the rates between 1% and 10%, and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 which have been approved by the Corporation's board of directors on March 31, 2017, were as follows:

Accrual rate

	For the Year Ended December 31, 2016
Employees' compensation	1%
Remuneration of directors and supervisors	1%

Amount

	For the Year Ended December 31, 2016
	Cash
Employees' compensation	\$ 1,227
Remuneration of directors and supervisors	1,227

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were not accrued because of the net loss.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 30, 2015 were as follows:

	For the Year Ended December 31, 2014
	Cash
Bonus to employees	\$ 1,570
Remuneration of directors and supervisors	471

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meetings on June 30, 2015 and the amounts recognized in the financial statements for the year ended December 31, 2014.

Information on the employees' compensation and remuneration of directors and supervisors approved in the shareholders' meeting in 2015 is available at the Market Observation Post System website of the TWSE.

18. INCOME TAXES

a. Major components of tax expense (benefit) recognized in profit or loss

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	\$ -	\$ 1,500
Adjustments for prior years	2,616	484
Others	-	29,512
Deferred tax		
In respect of the current year	<u>19,047</u>	<u>(19,312)</u>
Income tax expense recognized in profit or loss	<u>\$ 21,663</u>	<u>\$ 12,184</u>

A reconciliation of accounting profit and income tax expense (benefit) is as follows:

	For the Year Ended December 31	
	2016	2015
Profit (loss) before income tax	<u>\$ 120,279</u>	<u>\$ (29,017)</u>
Income tax expense (benefit) calculated at the statutory rate	\$ 20,447	\$ (4,933)
Nondeductible expenses in determining taxable income	(4,941)	6,433
Unrecognized deductible (taxable) temporary differences	16,318	(19,312)
Loss carryforward	(12,777)	-
Adjustments for prior years' tax	2,616	484
Others	<u>-</u>	<u>29,512</u>
Income tax expense recognized in profit or loss	<u>\$ 21,663</u>	<u>\$ 12,184</u>

The applicable tax rate used above is the corporate tax rate of 17%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement on defined benefit plan	<u>\$ 51</u>	<u>\$ (1,957)</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Share of loss of subsidiaries accounted for using the equity method	\$ 1,428	\$ (1,428)	\$ -	\$ -
Defined benefit obligation	23,654	(12,372)	(51)	11,231
Unrealized gain on transactions with associates	3,647	(2,173)	-	1,474
Loss carryforward	-	12,777	-	12,777
Others	<u>10,694</u>	<u>(1,939)</u>	<u>-</u>	<u>8,755</u>
	<u>\$ 39,423</u>	<u>\$ (5,135)</u>	<u>\$ (51)</u>	<u>\$ 34,237</u>

Deferred tax liabilities

Share of income of subsidiaries accounted for using the equity method	<u>\$ -</u>	<u>\$ 13,912</u>	<u>\$ -</u>	<u>\$ 13,912</u>
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For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Share of loss of subsidiaries accounted for using the equity method	\$ 7,203	\$ (5,775)	\$ -	\$ 1,428
Defined benefit obligation	19,747	1,950	1,957	23,654
Unrealized gain on transactions with associates	4,581	(934)	-	3,647
Others	<u>12,646</u>	<u>(1,952)</u>	<u>-</u>	<u>10,694</u>
	<u>\$ 44,177</u>	<u>\$ (6,711)</u>	<u>\$ 1,957</u>	<u>\$ 39,423</u>

Deferred tax liabilities

Share of income of subsidiaries accounted for using the equity method	\$ 19,773	\$ (19,773)	\$ -	\$ -
Unrealized foreign exchange gains	<u>6,250</u>	<u>(6,250)</u>	<u>-</u>	<u>-</u>
	<u>\$ 26,023</u>	<u>\$ (26,023)</u>	<u>\$ -</u>	<u>\$ -</u>

d. Integrated income tax

	December 31	
	2016	2015
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 100,810</u>	<u>\$ 2,800</u>
Balance of imputation credits accounts	<u>\$ 39,180</u>	<u>\$ 33,950</u>
	For the Year Ended December 31	2015
	2016 (Expected)	
Creditable ratio for distribution of earnings	20.85%	33.87%

e. Income tax returns through 2014 were examined and cleared by the tax authorities.

19. EARNINGS (LOSS) PER SHARE

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2016	2015
Basic earnings (loss) per share	<u>\$ 0.56</u>	<u>\$ (0.24)</u>
Diluted earnings per share	<u>\$ 0.56</u>	

The earnings and weighted average number of common stocks outstanding in the computation of earnings (loss) per share were as follows:

Net Profit (Loss) for the Year

	For the Year Ended December 31	
	2016	2015
Profit (loss) for the period attributable to owners of the Corporation	\$ 98,616	<u>\$ (41,201)</u>
Effect of potentially dilutive common stocks:		
Employees' compensation or bonus issue to employees	_____	-
Earnings used in the computation of diluted earnings per share	<u>\$ 98,616</u>	

Weighted average number of common stocks outstanding (in thousand shares):

	For the Year Ended December 31	
	2016	2015
Weighted average number of common stocks in computation of basic earnings (loss) per share	176,388	<u>169,060</u>
Effect of potentially dilutive common stocks:		
Employees' compensation or bonus issue to employees	<u>125</u>	
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>176,513</u>	

Since the Corporation offered to settle compensation or bonuses paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. OPERATING LEASE ARRANGEMENTS

The Corporation as lessee

Operating leases relate to leases of office and plant with lease terms between 1 and 5 years.

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31	
	2016	2015
Not later than 1 year	\$ 7,198	\$ 2,203
Later than 1 year and not later than 5 years	17,746	2,938
Later than 5 years	<u>15,608</u>	<u>-</u>
	<u>\$ 40,552</u>	<u>\$ 5,141</u>

21. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Corporation (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

Key management personnel of the Corporation review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The Corporation is not subject to any externally imposed capital requirements.

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The Corporation's management considers that the carrying amount of financial instruments that are not measured at fair value are close to the fair value.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	\$ 18,753	\$ -	\$ -	\$ 18,753

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	\$ 27,230	\$ -	\$ -	\$ 27,230

There were no transfers between Levels 1 and 2 in the current and prior periods.

- c. Categories of financial instruments

	<u>December 31</u>	
	2016	2015
<u>Financial assets</u>		
Loans and receivables (1)	\$ 900,158	\$ 1,199,066
Available-for-sale financial assets (2)	18,753	27,230
<u>Financial liabilities</u>		
Amortized cost (3)	1,203,664	1,349,207

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, other receivables and long-term receivables.
- 2) The balances included the carrying amount of available-for-sale financial assets.
- 3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings.

- d. Financial risk management objectives and policies

The Corporation's major financial instruments include equity and debt investments, accounts receivable, accounts payable and short-term and long-term borrowings. The Corporation's corporate treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Corporation through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Corporation's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which were exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Corporation managed the risk by balancing positions of assets and liabilities denominated in foreign currencies.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 26.

Sensitivity analysis

The Corporation was mainly exposed to the currency United States dollar ("USD") and currency Renminbi ("RMB").

The following table details the Corporation's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity assuming New Taiwan dollars strengthened by 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	Currency USD Impact		Currency RMB Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2016	2015	2016	2015
Profit or loss	\$ 3,303	\$ 5,405	\$ 1,621	\$ 1,732

b) Interest rate risk

The Corporation was exposed to interest rate risk because entities in the Corporation borrowed funds at both fixed and floating interest rates. The risk is managed by the Corporation by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2016	2015
Fair value interest rate risk		
Financial assets	\$ 10,000	\$ 145,194
Financial liabilities	30,000	-
Cash flow interest rate risk		
Financial assets	107,639	160,230
Financial liabilities	852,486	1,007,497

Sensitivity analysis

The sensitivity analyses below were determined based on the Corporation's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The sensitivity analyses were determined based on the Corporation's exposure to interest rates at the end of the reporting period. A 10 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the year ended December 31, 2016 would decrease/increase by \$745 thousand and per-tax loss for the year ended December 31, 2015 would increase/decrease by \$847 thousand, respectively, which was mainly attributable to the Corporation's exposure to cash flow on its variable-rate bank borrowings.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in equity securities.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period. If equity prices had been 10% higher/lower, other comprehensive income (loss) for years ended December 31, 2016 and 2015 would have increased/decreased by \$1,875 thousand and \$2,723 thousand, respectively, as a result of the changes in fair value of available-for-sale investments.

The Corporation's sensitivity to available-for-sale investments has not changed significantly from the prior year.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of counterparties to discharge an obligation and due to financial guarantees provided by the Corporation could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Corporation.

The Corporation adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation only transacts with entities that are rated the equivalent of excellent grade. This information is supplied by a rating agency where available and, if not available, the Corporation uses other publicly available financial information to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Corporation did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Corporation's short, medium and long-term funding and liquidity management requirements. The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2016 and 2015, the Corporation had available unutilized bank loan facilities set out in (b) below.

- a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ -	\$ 321,178	\$ -	\$ -	\$ -
Variable interest rate liabilities	13,094	256,187	111,594	471,611	-
Fixed interest rate liabilities	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 43,094</u>	<u>\$ 577,365</u>	<u>\$ 111,594</u>	<u>\$ 471,611</u>	<u>\$ -</u>

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ -	\$ 341,710	\$ -	\$ -	\$ -
Variable interest rate liabilities	<u>203,393</u>	<u>487,074</u>	<u>111,451</u>	<u>205,580</u>	<u>-</u>
	<u>\$ 203,393</u>	<u>\$ 828,784</u>	<u>\$ 111,451</u>	<u>\$ 205,580</u>	<u>\$ -</u>

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2016	2015
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	\$ 587,557	\$ 713,250
Amount unused	<u>1,112,568</u>	<u>1,004,463</u>
	<u>\$ 1,700,125</u>	<u>\$ 1,717,713</u>
Secured bank overdraft facility:		
Amount used	\$ 527,000	\$ 443,216
Amount unused	<u>-</u>	<u>355,000</u>
	<u>\$ 527,000</u>	<u>\$ 798,216</u>

e. Transfers of financial assets

During 2015, the Corporation discounted accounts receivable with an aggregate carrying amount of \$283,572 thousand to a bank for cash proceeds of \$234,699 thousand. According to the contract, if the accounts receivable are not paid at maturity, the bank has the right to request the Corporation to pay the unsettled balance. As the Corporation has not transferred the significant risks and rewards relating to these accounts receivable, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing (see Note 24).

As of December 31, 2015, the carrying amount of the accounts receivable that have been transferred but have not been derecognized amounted to \$106,099 thousand and the carrying amount of the related liability was \$84,216 thousand.

23. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below:

a. Revenue

Line Items	Related Party Categories	For the Year Ended December 31	
		2016	2015
Sales of machinery	Subsidiaries	<u>\$ 534,633</u>	<u>\$ 863,085</u>

b. Purchase of goods

Related Party Categories	For the Year Ended December 31	
	2016	2015
Subsidiaries	<u>\$ 13,205</u>	<u>\$252,058</u>

c. Receivables from related parties

Line Items	Related Party Categories	December 31	
		2016	2015
Accounts receivable	Subsidiaries	\$ 453,319	\$ 487,078
Other accounts receivable	Subsidiaries	<u>135,227</u>	<u>76,024</u>
		<u>\$ 588,546</u>	<u>\$ 563,102</u>

d. Payables to related parties

Line Items	Related Party Categories	December 31	
		2016	2015
Accounts payable	Subsidiaries	\$ 2,640	\$ 10,529
Other accounts payable	Subsidiaries	<u>1,203</u>	<u>29,487</u>
		<u>\$ 3,843</u>	<u>\$ 40,016</u>

e. Prepayments

Line Items	Related Party Categories	December 31	
		2016	2015
Prepayments for goods	Subsidiaries	\$ <u>3,889</u>	\$ <u>13,471</u>

f. Property, plant and equipment acquired

Related Party Categories	For the Year Ended December 31	
	2016	2015
Subsidiaries	\$ <u>-</u>	\$ <u>14,073</u>

g. Endorsements and guarantees

Information of endorsements and guarantees for subsidiaries was disclosed in Table 2.

h. Other transactions

Line Items	Related Party Categories	For the Year Ended December 31	
		2016	2015
Rental income	Subsidiaries	\$ 26,956	\$ 21,457
Other income (management fee)		<u>20,244</u>	<u>-</u>
		\$ <u>47,200</u>	\$ <u>21,457</u>

i. Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 34,355	\$ 19,568
Post-employment benefits	<u>991</u>	<u>829</u>
	\$ <u>35,346</u>	\$ <u>20,397</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets at book value were provided as collateral for bank borrowings:

	December 31	
	2016	2015
Accounts receivable	\$ -	\$ 88,225
Long-term receivables	-	17,874
Freehold land	122,638	122,638
Building	435,359	421,648
Other non-current assets	<u>6,482</u>	<u>6,482</u>
	\$ <u>564,479</u>	\$ <u>656,867</u>

25. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On February 10, 2017, in order to augment the product lines, meet the need of market diversification, and enhance the synergy of operation, the Corporation's board of directors resolved to acquire assets of Matec Maschinenbau GmbH, a company in Germany, for a total amount of EUR8,000 thousand. On March 28, 2017, the Corporation's board of directors resolved to revise the original application of funds and acquisition of properties of Matec Maschinenbau GmbH to a total amount of EUR3,900 thousand. Then, the Corporation incorporated Matec GmbH in Germany through its subsidiary, Anderson Europe GmbH, for a total amount of EUR3,100 thousand. Finally, Matec GmbH acquired other fixed assets, inventories, and patent and etc. of Matec Maschinenbau GmbH.

26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currency of the Corporation and the exchange rates between foreign currencies and Corporation's functional currency ("NTD") were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 11,587	32.250 (USD:NTD)	\$ 373,681
RMB	35,103	4.617 (RMB:NTD)	162,071
EUR	1,275	33.90 (EUR:NTD)	43,223

Financial liabilities

Monetary items			
USD	1,345	32.250 (USD:NTD)	43,376
EUR	454	33.90 (EUR:NTD)	15,391

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 20,370	32.825 (USD:NTD)	\$ 668,645
RMB	34,684	4.995 (RMB:NTD)	173,247

Financial liabilities

Monetary items			
USD	3,903	32.825 (USD:NTD)	128,116

For the years ended December 31, 2016 and 2015, (realized and unrealized) net foreign exchange loss amounted to \$32,463 thousand and \$16,155 thousand, respectively. It is impractical to disclose net foreign exchange gain (loss) by each significant foreign currency due to the variety of the foreign currency transactions.

27. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees. (Table 7)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (None)

TABLE 1

ANDERSON INDUSTRIAL CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 2)	Ending Balance (Note 2)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 1 and 3)	Note
													Item	Value			
0	The Corporation	Monforts GmbH	Accounts receivable - related parties	Yes	\$ 71,780	\$ 67,800	\$ 40,002	2.5%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 459,568	\$ 919,136	-

- Note 1: Based on audited financial statements.
- Note 2: The balance for the period and ending balance represent the amount approved by the board of directors.
- Note 3: The loan limit should not exceed 40% of total equity of the Corporation. The loan limit to one party should not exceed 20% of the total equity or business transaction amount.

ANDERSON INDUSTRIAL CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 3)											
0	The Corporation	Anderson Europe GmbH	b	\$ 689,352	\$ 46,859	\$ 44,793	\$ -	\$ -	2	\$ 1,148,920	Yes	-	-	-
		Monforts GmbH	b	689,352	198,343	117,430	117,430	-	5	1,148,920	Yes	-	-	-
		Anderson Merchandise Corporation	b	689,352	434,153	432,875	214,258	-	19	1,148,920	Yes	-	-	-
		Sogotec	b	689,352	200,000	200,000	150,000	-	9	1,148,920	Yes	-	-	-

Note 1: The balance should not exceed 30% of total equity of the Corporation.

Note 2: The balance should not exceed 50% of total equity of the Corporation.

Note 3: The relationship is as follows:

- b. The Corporation controls over 50% of subsidiary’s ordinary shares directly.

TABLE 3**ANDERSON INDUSTRIAL CORPORATION****MARKETABLE SECURITIES HELD****DECEMBER 31, 2016****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	Sinopac EMD & High Yield Bond Fund of Funds	-	Available-for-sale financial assets - current	1,645	\$ 18,753	-	\$ 18,753	Note 2
CNT	Bank of Communication Daily Interests S type financial product - Guaranteed floating rate type	-	Available-for-sale financial assets - current	-	50,787	-	50,787	Note 2
	CheinYuan-Special gain “No. 181 year 2016 fixed term financial product	-	Available-for-sale financial assets - current	-	46,170	-	46,170	Note 2
	CheinYuan-Special gain “No. 204 year 2016 fixed term financial product	-	Financial assets at fair value through profit or loss - current	-	13,851	-	13,851	Note 2
	Bank of communication “Winton profits guaranteed” financial product for 91 days	-	Financial assets at fair value through profit or loss - current	-	41,553	-	41,553	Note 2
	Bank of Communication CheinYuan -Yaincheshifang” No. 211 year 2016 fixed term financial product	-	Financial assets at fair value through profit or loss - current	-	9,234	-	9,234	Note 2
Anderson Merchandise Corporation	Templeton Global Smaller Comp Fund A	-	Available-for-sale financial assets - current	2	934	-	934	Note 2
	Fidelity European Sm Cos A-EUR	-	Available-for-sale financial assets - current	1	952	-	952	Note 2
Sen-de Corporation	Stock: Harbinger Technology Corporation	-	Financial assets measured at cost - non-current	2,675	26,747	9.00	17,608	Note 2
	Hua Nan Phoenix Money Market	-	Available-for-sale financial assets - current	117	28,172	-	28,172	Note 2
Chengdu ZhongDe	Anshin Lindon RMB financial product for 45 days	-	Available-for-sale financial assets - current	-	11,543	-	11,543	Note 2

Note 1: Information on investments in subsidiaries and associates, see Table 7 and Table 8 for details.

Note 2: Fair value is measured at net assets of fund. Fair value is based on the net assets value reported in the recent financial statements of the issuer of unlisted stock.

TABLE 4

ANDERSON INDUSTRIAL CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
The Corporation	Parpro Quality Inc.	Equity method	Buy-in: Parpro Corporation Sold out: Parpro Corporation	- The same chairman	-	\$ -	11,045	\$ 360,719	11,045	\$ 370,530	\$ 366,271 (Note)	\$ 4,259	-	\$ -

Note: The carrying amount included the share of profits (losses) of subsidiaries and associates \$5,552 thousand.

TABLE 5

ANDERSON INDUSTRIAL CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	CNT Anderson America	Subsidiaries Subsidiaries	Sale	\$ (124,247)	(3)	The same as other customer	\$ -	-	\$ 94,947	16	
			Sale	(268,227)	(7)	The same as other customer	-	-	125,487	21	
Sogotec	Sogotec (Shanghai)	Subsidiaries	Sale	(148,879)	(4)	The same as other customer	-	-	142,556	24	

TABLE 6

ANDERSON INDUSTRIAL CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Corporation	Anderson America	Subsidiaries	\$ 125,487	2.17	\$ -	-	\$ 53,364	\$ -
Sogotec	Sogotec (Shanghai)	Subsidiaries	142,556	2.09	-	-	20,061	-

TABLE 7

ANDERSON INDUSTRIAL CORPORATION

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2016			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	%	Carrying Amount			
The Corporation	Anderson Industrial	Hong Kong	Importing, exporting and general investing activities	\$ 1,014	\$ 1,014	300	100.00	\$ 33,575	\$ 371	\$ 371	Subsidiary
	Anderson Europe GmbH	Germany	Sale of machinery and wood panels	223,476	174,993	-	100.00	157,072	48,494	48,494	Subsidiary
	Anderson America	USA	Sale of machinery and wood panels	165,197	165,197	1	100.00	17,849	11,572	11,572	Subsidiary
	Sen-de Corporation	Taiwan	Importing and Exporting	220,000	220,000	22,000	100.00	201,990	(904)	(904)	Subsidiary
	Giben BVI	British Virgin Islands	Investment	361,517	361,517	10	100.00	284,624	(26,296)	(26,296)	Subsidiary
	Giben SAMOA	SAMOA	Investment	146,642	146,642	10	100.00	189,145	51,446	51,446	Subsidiary
	Digital Photonics Corporation	Taiwan	Optical equipment	-	34,950	-	-	-	-	-	Note 2
	Anderson Merchandise Corporation	Taiwan	Sale of machinery and wood panels	50,000	50,000	5,000	100.00	96,998	15,967	15,967	Subsidiary
	Sogotec	Taiwan	Manufacture and sales of machinery	190,709	190,709	10,595	70.63	133,556	13,367	9,441	Subsidiary
Sen-de Corporation	Sogotec	Taiwan	Manufacture and sales of machinery	171,961	171,961	4,292	28.62	72,819	13,367	Not applicable	Subsidiary
	Willis Ltd.	Taiwan	Importing and Exporting	10,000	5,000	-	50.00	8,727	(2,215)	Not applicable	Sub-subsubsidiary
Giben SAMOA						(Note 1)					
	Giben America, Inc.	USA	Manufacture and sales of machinery	145,329	145,329	-	100.00	140,023	25,721	Not applicable	Sub-subsubsidiary
	Giben Brasil	Brazil	Manufacture and sales of machinery	1,014	1,014	-	0.28	798	(21,672)	Not applicable	Sub-subsubsidiary
Giben BVI						(Note 1)					
	Giben Brasil	Brazil	Manufacture and sales of machinery	361,213	361,213	-	99.72	284,320	(21,672)	Not applicable	Sub-subsubsidiary
Anderson Europe GmbH						(Note 1)					
	Monforts GmbH	Germany	Manufacture and sales of machinery	125,006	76,523	-	100.00	124,210	41,677	Not applicable	Sub-subsubsidiary

Note 1: Limited company structure.

Note 2: Liquidated.

TABLE 8

ANDERSON INDUSTRIAL CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016	Note
					Outflow	Inflow							
CNT	Manufacture of woodworking machinery	\$ 264,167	a	\$ 264,167	\$ -	\$ -	\$ 264,167	\$ 27,281	100.00	\$ 27,281	\$ 397,394	\$ -	Note 2
Jentec	Manufacture of machinery	70,640	a	70,640	-	-	70,640	(22,634)	100.00	(22,634)	77,112	-	Note 2
Chengdu ZhongDe	Manufacture of machinery	40,264	b	-	-	-	-	(1,769)	67.00	(1,185)	21,876	-	Note 2
Sogotec (Shanghai)	Sale of machinery	26,487	c	-	26,487	-	26,487	(2,476)	100.00	(2,476)	21,614	-	Note 2

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 361,294	\$ 361,294	\$ - (Note 3)

Note 1: The methods of investment are as follows:

- a. Direct investment in mainland China.
- b. Indirect investment in mainland China through CNT. CNT has obtained 67% contribution for \$26,977 thousand (RMB5,360 thousand).
- c. Sogotec has obtained 100% contribution for \$26,487 thousand (US\$800 thousand).

Note 2: The amount was calculated based on the audited financial statements.

Note 3: In accordance with “Examination Principles for Licensing Investment or Technical Cooperation in Mainland China” (revised by the MOEA on August 29, 2008), the Corporation has acquired certificate of operating scope, therefore the upper limit does not have to be calculated.

V. Audited consolidated financial statements of the Company and subsidiaries covering the most recent period.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Anderson Industrial Corporation

Opinion

We have audited the accompanying consolidated financial statements of Anderson Industrial Corporation (the "Corporation") and its subsidiaries (collectively, the "Group") which comprises the consolidated balance sheet as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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 of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2016 are stated as follows:

Inventory Provision

As of December 31, 2016, the balance of inventory held by the Group was \$1,219,127 thousand, a significant amount representing 25% of total assets. Because assessment of net realizable value of inventory is an area of the Group's significant judgement based on IAS 12 "Inventory", we believe that inventory provision is one of key audit matters. Please refer to Notes 5 and 8 to the consolidated financial statements.

Our primary audit procedures in respect of this area included understanding the appropriateness of inventory provisioning policy, assessing the reasonableness of net realizable value by performing tests of samples of sales, reviewing and implementing year-end inventory count, assessing the condition of the inventory and recalculating the amount of inventory provision.

Estimated Impairment of Accounts Receivable

As of December 31, 2016, the balance of accounts receivable held by the Group was \$1,110,750 thousand, a significant amount representing 23% of total assets. The evaluation of accounts receivable provision for loss, credit risk and appropriateness of provisioning policy is an area of significant judgment; therefore, we believe that the estimated impairment of accounts receivable is a key audit matter. Please refer to Notes 5 and 7 to the consolidated financial statements.

Our primary audit procedures in respect of this area included assessing the appropriateness of accounts receivable provisioning policy, testing the validity of the aging reports, analyzing circumstances of accounts receivable movements and significant past due accounts receivable, assessing the reasonableness of individual accounts receivable impairment, confirming whether there is any sign of impairment or not at the end of the year. Recoverability was also tested by vouching cash receipts after the year end date.

Other Matter

We have also audited the parent company only financial statements of Anderson Industrial Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unqualified and a modified unqualified opinion, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 the supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 the auditing standards generally accepted in the Republic of China 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 the auditing standards generally accepted in the Republic of China, we exercise professional judgment 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 auditors' 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 auditors' 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 and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Yu Wei Fan and Hsin Wei Tai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 31, 2017

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 536,998	11	\$ 918,932	20
Financial assets at fair value through profit or loss - current (Note 4)	64,638	1	-	-
Available-for-sale financial assets - current (Note 4)	157,311	3	84,122	2
Debt investments with no active market - current (Note 4)	25,968	1	10,008	-
Notes receivable, net (Notes 4, 7, 23 and 25)	182,072	4	202,099	4
Accounts receivable, net (Notes 4, 7, 23 and 25)	1,110,750	23	730,582	16
Other receivables (Note 4)	72,994	2	95,856	2
Inventories (Notes 4 and 8)	1,219,127	25	1,217,128	26
Prepayments	76,887	2	59,558	1
Other current assets	<u>14,218</u>	<u>-</u>	<u>18,609</u>	<u>1</u>
Total current assets	<u>3,460,963</u>	<u>72</u>	<u>3,336,894</u>	<u>72</u>
NON-CURRENT ASSETS				
Financial assets measured at cost - non-current (Note 4)	26,747	1	26,747	1
Property, plant and equipment (Notes 4, 11 and 25)	1,017,650	21	959,280	21
Intangible assets (Notes 4 and 12)	145,008	3	157,583	3
Deferred tax assets (Notes 4 and 19)	49,327	1	59,158	1
Long-term notes and accounts receivable (Notes 4, 7 and 25)	16,187	-	59,194	1
Other non-current assets (Note 25)	<u>87,923</u>	<u>2</u>	<u>57,765</u>	<u>1</u>
Total non-current assets	<u>1,342,842</u>	<u>28</u>	<u>1,319,727</u>	<u>28</u>
TOTAL	<u>\$ 4,803,805</u>	<u>100</u>	<u>\$ 4,656,621</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 13 and 25)	\$ 629,345	13	\$ 977,178	21
Notes payable	4,622	-	15,383	-
Accounts payable	388,867	8	267,030	6
Other payables (Note 14)	243,963	5	254,435	6
Current tax liabilities (Notes 4 and 19)	5,156	-	5,036	-
Provisions - current (Note 4)	40,836	1	49,705	1
Current portion of long-term borrowings (Notes 13 and 25)	175,643	4	107,057	2
Other current liabilities (Note 14)	<u>419,199</u>	<u>9</u>	<u>344,040</u>	<u>7</u>
Total current liabilities	<u>1,907,631</u>	<u>40</u>	<u>2,019,864</u>	<u>43</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 13 and 25)	481,867	10	206,744	5
Deferred tax liabilities (Notes 4 and 19)	13,912	-	679	-
Net defined benefit liabilities (Notes 4 and 15)	73,840	2	136,623	3
Other non-current liabilities	<u>5,722</u>	<u>-</u>	<u>9,710</u>	<u>-</u>
Total non-current liabilities	<u>575,341</u>	<u>12</u>	<u>353,756</u>	<u>8</u>
Total liabilities	<u>2,482,972</u>	<u>52</u>	<u>2,373,620</u>	<u>51</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 16)				
Share capital				
Common stock	<u>1,800,000</u>	<u>37</u>	<u>1,800,000</u>	<u>39</u>
Capital surplus	<u>319,573</u>	<u>7</u>	<u>337,206</u>	<u>7</u>
Retained earnings				
Legal reserve	163,053	4	163,053	4
Unappropriated earnings	<u>100,810</u>	<u>2</u>	<u>2,800</u>	<u>-</u>
Total retained earnings	<u>263,863</u>	<u>6</u>	<u>165,853</u>	<u>4</u>
Other equity				
Exchange differences on translating foreign operations	(43,573)	(1)	(6,849)	-
Unrealized loss on available-for-sale financial assets	<u>(7,051)</u>	<u>-</u>	<u>(4,692)</u>	<u>-</u>
Total other equity	<u>(50,624)</u>	<u>(1)</u>	<u>(11,541)</u>	<u>-</u>
Treasury shares	<u>(34,972)</u>	<u>(1)</u>	<u>(30,063)</u>	<u>(1)</u>
NON-CONTROLLING INTERESTS	<u>22,993</u>	<u>-</u>	<u>21,546</u>	<u>-</u>
Total equity	<u>2,320,833</u>	<u>48</u>	<u>2,283,001</u>	<u>49</u>
TOTAL	<u>\$ 4,803,805</u>	<u>100</u>	<u>\$ 4,656,621</u>	<u>100</u>

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

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 29)	\$ 3,697,479	100	\$ 3,136,687	100
OPERATING COSTS (Notes 8 and 18)	<u>2,462,981</u>	<u>67</u>	<u>2,229,556</u>	<u>71</u>
GROSS PROFIT	<u>1,234,498</u>	<u>33</u>	<u>907,131</u>	<u>29</u>
OPERATING EXPENSES (Notes 4 and 18)				
Selling and marketing expenses	550,806	15	591,618	19
General and administrative expenses	461,830	12	306,446	10
Research and development expenses	<u>75,374</u>	<u>2</u>	<u>76,010</u>	<u>2</u>
Total operating expenses	<u>1,088,010</u>	<u>29</u>	<u>974,074</u>	<u>31</u>
PROFIT (LOSS) FROM OPERATIONS	<u>146,488</u>	<u>4</u>	<u>(66,943)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 18)				
Other income	60,611	2	40,085	2
Other gains and losses	(44,148)	(1)	7,159	-
Finance costs	(28,456)	(1)	(23,439)	(1)
Share of profit of associates accounted for using the equity method	<u>5,552</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>(6,441)</u>	<u>-</u>	<u>23,805</u>	<u>1</u>
PROFIT (LOSS) BEFORE INCOME TAX	140,047	4	(43,138)	(1)
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 19)	<u>(43,022)</u>	<u>(1)</u>	<u>1,048</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>97,025</u>	<u>3</u>	<u>(42,090)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(555)	-	(12,337)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(51)</u>	<u>-</u>	<u>1,957</u>	<u>-</u>
	<u>(606)</u>	<u>-</u>	<u>(10,380)</u>	<u>(1)</u>

(Continued)

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	\$ (37,885)	(1)	\$ (39,356)	(1)
Unrealized loss on available-for-sale financial assets	<u>(2,359)</u>	<u>-</u>	<u>(1,704)</u>	<u>-</u>
	<u>(40,244)</u>	<u>(1)</u>	<u>(41,060)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(40,850)</u>	<u>(1)</u>	<u>(51,440)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 56,175</u>	<u>2</u>	<u>\$ (93,530)</u>	<u>(3)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 98,616	3	\$ (41,201)	(1)
Non-controlling interests	<u>(1,591)</u>	<u>-</u>	<u>(889)</u>	<u>-</u>
	<u>\$ 97,025</u>	<u>3</u>	<u>\$ (42,090)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 58,927	2	\$ (92,541)	(3)
Non-controlling interests	<u>(2,752)</u>	<u>-</u>	<u>(989)</u>	<u>-</u>
	<u>\$ 56,175</u>	<u>2</u>	<u>\$ (93,530)</u>	<u>(3)</u>
EARNINGS (LOSS) PER SHARE (Note 19)				
Basic	<u>\$ 0.56</u>		<u>\$ (0.24)</u>	
Diluted	<u>\$ 0.56</u>			

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

(Concluded)

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Equity Attributable to Owners of the Company								
	Common Stock	Capital Surplus	Retained Earnings		Other Equity		Treasury Shares	Non-controlling Interests	Total Equity
			Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
BALANCE AT JANUARY 1, 2015	\$ 1,470,000	\$ 304,206	\$ 161,309	\$ 74,123	\$ 32,413	\$ (2,988)	\$ -	\$ (842)	\$ 2,038,221
Appropriation of 2014 earnings									
Legal reserve	-	-	1,744	(1,744)	-	-	-	-	-
Cash dividends distributed by the Corporation - NT\$0.1 per share	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,000)</u>
Balance after appropriation	1,470,000	304,206	163,053	54,379	32,413	(2,988)	-	(842)	2,020,221
Net loss for the year ended December 31, 2015	-	-	-	(41,201)	-	-	-	(889)	(42,090)
Other comprehensive loss for the year ended December 31, 2015, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,374)</u>	<u>(39,262)</u>	<u>(1,704)</u>	<u>-</u>	<u>(100)</u>	<u>(51,440)</u>
Total comprehensive loss for the year ended December 31, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,575)</u>	<u>(39,262)</u>	<u>(1,704)</u>	<u>-</u>	<u>(989)</u>	<u>(93,530)</u>
Issue of ordinary shares for cash	330,000	33,000	-	-	-	-	-	-	363,000
Buy-back of ordinary shares	-	-	-	-	-	-	(30,063)	-	(30,063)
Adjustments from changes in percentage of ownership of subsidiaries	-	-	-	(4)	-	-	-	-	(4)
Issue of subsidiary's ordinary shares under employee share options	-	-	-	-	-	-	-	1,487	1,487
Increase in non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,890</u>	<u>21,890</u>
BALANCE AT DECEMBER 31, 2015	1,800,000	337,206	163,053	2,800	(6,849)	(4,692)	(30,063)	21,546	2,283,001
Cash dividends distributed from capital surplus	-	(17,633)	-	-	-	-	-	-	(17,633)
Net profit (loss) for the year ended December 31, 2016	-	-	-	98,616	-	-	-	(1,591)	97,025
Other comprehensive loss for the year ended December 31, 2016, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>(606)</u>	<u>(36,724)</u>	<u>(2,359)</u>	<u>-</u>	<u>(1,161)</u>	<u>(40,850)</u>
Total comprehensive income (loss) for the year ended December 31, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,010</u>	<u>(36,724)</u>	<u>(2,359)</u>	<u>-</u>	<u>(2,752)</u>	<u>56,175</u>
Buy-back of ordinary shares	-	-	-	-	-	-	(4,909)	-	(4,909)
Increase in non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,199</u>	<u>4,199</u>
BALANCE AT DECEMBER 31, 2016	<u>\$ 1,800,000</u>	<u>\$ 319,573</u>	<u>\$ 163,053</u>	<u>\$ 100,810</u>	<u>\$ (43,573)</u>	<u>\$ (7,051)</u>	<u>\$ (34,972)</u>	<u>\$ 22,993</u>	<u>\$ 2,320,833</u>

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

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 140,047	\$ (43,138)
Adjustments for:		
Depreciation expenses	87,101	76,601
Amortization expenses	6,997	1,378
Impairment loss recognized (reversal of impairment loss) on accounts receivable	8,631	(19,104)
Finance costs	28,456	23,439
Interest income	(6,526)	(1,561)
Compensation cost of employee share options	-	1,487
Share of profit of associates	(5,552)	-
Loss on disposal of property, plant and equipment, net	24	3,786
Gain on disposal of available-for-sale financial assets, net	(1,544)	(3,641)
Gain on disposal of investments accounted for using the equity method	(4,259)	-
Reversal of impairment loss on non-financial assets	(26,319)	(23,173)
Changes in operating assets and liabilities		
Financial assets held for trading	(64,638)	-
Notes receivable	20,027	31,646
Accounts receivable (including - long-term receivables)	(358,806)	308,695
Other receivables	27,188	(83,453)
Inventories	26,565	98,075
Prepayments	(40,079)	(5,296)
Other current assets	1,375	10,921
Notes payable	(10,761)	12,324
Accounts payable	121,837	(76,480)
Other payables	(10,573)	9,814
Provisions	(8,869)	15,967
Other current liabilities	97,107	154,395
Net defined benefit liabilities	(63,389)	(1,449)
Cash generated from operations	(35,960)	491,233
Interest received	6,504	1,541
Interest paid	(28,355)	(22,440)
Income tax paid	(16,822)	(67,146)
Net cash generated from operating activities	(74,633)	403,188

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of available-for-sale financial assets	(422,826)	(113,237)
Proceeds from sale of available-for-sale financial assets	339,393	75,704
Purchase of debt investment with no active market	(15,960)	-
Proceeds from redemption of debt investments with no active market	-	1,261
Net cash outflow on acquisition of subsidiaries	(360,719)	-
Proceeds from sale of investments accounted for using the equity method	370,530	-

(Continued)

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Payments for property, plant and equipment	\$ (130,835)	\$ (60,469)
Proceeds from disposal of property, plant and equipment	1,939	4,952
Decrease (increase) in refundable deposits	(3,970)	19,382
Payments for intangible assets	(1,134)	(6,587)
Decrease (increase) in non-current assets	(14,730)	3,846
Increase in prepayments for equipment	<u>(7,478)</u>	<u>(12,993)</u>
Net cash used in investing activities	<u>(245,790)</u>	<u>(88,141)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(347,833)	443,808
Proceeds from long-term borrowings	505,024	-
Repayment of long-term borrowings	(156,930)	(706,516)
Increase in guarantee deposits received	5,682	40
Decrease in other non-current liabilities	(9,670)	-
Cash dividends paid	(17,633)	(18,000)
Issue of ordinary shares for cash	-	363,000
Payments for buy-back of ordinary shares	(4,909)	(30,063)
Increase (decrease) in non-controlling interests	<u>4,199</u>	<u>21,890</u>
Net cash generated from (used in) financing activities	<u>(22,070)</u>	<u>74,159</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(39,441)</u>	<u>(37,607)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(381,934)	351,599
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>918,932</u>	<u>567,333</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 536,998</u>	<u>\$ 918,932</u>

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

(Concluded)

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Anderson Industrial Corporation (the “Corporation”) was incorporated in the Republic of China (ROC) in July 1972. The Corporation is mainly engaged in the import and export of computer numerical control (CNC) machinery, tooling, lumber, wood panels, and building materials.

On October 11, 2000, the Corporation’s shares were listed on the Taiwan Stock Exchange (TWSE).

The consolidated financial statements are presented in the Corporation’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 31, 2017.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the IASB and endorsed by the FSC for application starting from 2017.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014 (Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Group’s accounting policies, except for the following:

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Group’s respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operations after a business combination and the expected benefits on the acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the amendments to IFRSs to be applied in 2017 will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

b. New IFRSs issued by IASB but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. The FSC announced that amendments to IFRS 9 and IFRS 15 will take effect starting from January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of the other New IFRSs.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
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
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

- IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, if any, recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses are recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the expected credit loss model. A credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since its initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for accounts receivable that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period, and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively, and the accounting for hedging options shall be applied retrospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 version of IFRSs as endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

- Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 9 and Tables 8 and 9 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

f. Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group entities (including subsidiaries in other countries that use currency different from the currency of the Corporation) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets and liabilities acquired in the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories, which comprise finished goods, work-in-process, raw materials and merchandise, are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

h. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is held for trading.

Financial assets at fair value through profit or loss are stated at their fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on financial assets.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash and cash equivalent, debt investments with no active market, notes and accounts receivable (including long-term receivables), and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as notes receivable and accounts receivable (including long-term receivables) assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with non-collection of payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event that occurred after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it is becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable where the carrying amount is reduced through the use of an allowance account. When accounts receivable and other receivables are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Provisions for the expected cost of warranty obligations are recognized at the date of sale of the relevant products, at the best estimate of the expenditure required to settle the Group's obligation by the management of the Group.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

2) Rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

3) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and applicable effective interest rate.

o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service costs and past service cost) and net interest on a net defined benefit liability (asset) are recognized as employee benefits expenses in the period that they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

The net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

A liability for termination benefits is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefits and when the Group recognizes any related restructuring costs.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary difference arising from initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences or unused loss carryforward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which a liability is settled or an asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current tax and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventory

Net realizable value of inventory is its estimated selling price in the ordinary course of business less its estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	\$ 4,433	\$ 3,646
Checking accounts and demand deposits	515,992	745,782
Cash equivalent		
Time deposits with original maturities less than three months	<u>16,573</u>	<u>169,504</u>
	<u>\$ 536,998</u>	<u>\$ 918,932</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2016	2015
Bank balance	0.01%-0.35%	0.001%-0.4%

7. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2016	2015
Notes receivable	\$ <u>182,072</u>	\$ <u>202,099</u>
Accounts receivable	\$ 1,190,126	\$ 871,700
Less: Allowance for impairment loss	<u>(63,189)</u>	<u>(81,924)</u>
	<u>\$ 1,126,937</u>	<u>\$ 789,776</u>
Current	\$ 1,110,750	\$ 730,582
Non-current	<u>16,187</u>	<u>59,194</u>
	<u>\$ 1,126,937</u>	<u>\$ 789,776</u>

Accounts Receivable

The average credit period of sales of goods was 90-180 days. In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss is based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For the accounts receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31	
	2016	2015
Less than 180 days	\$ 753,275	\$ 606,325
181-365 days	266,104	64,088
More than 365 days	<u>170,747</u>	<u>201,287</u>
	<u>\$ 1,190,126</u>	<u>\$ 871,700</u>

The above aging schedule was based on the invoice date.

The aging of receivables that were past due but not impaired was as follows:

	December 31	
	2016	2015
Less than 180 days	\$ 52,658	\$ 102,456
181-365 days	41,712	42,131
More than 365 days	<u>84,120</u>	<u>47,236</u>
	<u>\$ 178,490</u>	<u>\$ 191,823</u>

The above aging schedule was based on the invoice date.

The movements of the allowance for doubtful accounts receivable were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	\$ 107,192	\$ -	\$ 107,192
Add: Impairment losses reversed	(19,104)	-	(19,104)
Foreign exchange translation	<u>(6,164)</u>	<u>-</u>	<u>(6,164)</u>
Balance at December 31, 2015	<u>\$ 81,924</u>	<u>\$ -</u>	<u>\$ 81,924</u>
Balance at January 1, 2016	\$ 81,924	\$ -	\$ 81,924
Add: Impairment losses recognized on receivables	2,227	6,404	8,631
Less: Amounts written off during the year as uncollectable	(18,432)	-	(18,432)
Foreign exchange translation	<u>(8,934)</u>	<u>-</u>	<u>(8,934)</u>
Balance at December 31, 2016	<u>\$ 56,785</u>	<u>\$ 6,404</u>	<u>\$ 63,189</u>

Refer to Note 23 for details of the factoring agreements for accounts receivable.

Refer to Note 25 for details of collaterals that the Group held for these balances.

8. INVENTORIES

	December 31	
	2016	2015
Finished goods	\$ 41,535	\$ 61,648
Work in progress	365,833	368,877
Raw materials	345,236	359,733
Merchandise	376,085	367,405
Inventory in transit	<u>90,438</u>	<u>59,465</u>
	<u>\$ 1,219,127</u>	<u>\$ 1,217,128</u>

The cost of goods sold for the years ended December 31, 2016 and 2015 included reversal of inventory write-downs of \$26,319 thousand and \$23,173 thousand, respectively. Previous write-downs were reversed as a result of increased selling prices in certain markets.

9. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			December 31		
			2016	2015	
The Corporation	Anderson Industrial (Hong Kong) Ltd.	Importing, exporting and general investing activities	100.00%	100.00%	a
The Corporation	Anderson Europe GmbH	Sale of machinery and wood panels	100.00%	100.00%	-
The Corporation	Anderson America Corporation (U.S.A.) (Anderson America)	Sale of machinery and wood panels	100.00%	100.00%	-

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership		Remark
			December 31		
			2016	2015	
The Corporation	CNT Industrial (Shang-Hai) Co., Ltd. (CNT)	Manufacture of machinery	100.00%	100.00%	-
The Corporation	Shen-de Corporation	Importing and Exporting	100.00%	100.00%	-
The Corporation	Digital Photonics Corporation	Optical equipment	-	94.50%	b
The Corporation	Jentec Machinery (Shanghai) Co., Ltd. (Jentec)	Manufacture and sales of machinery	100.00%	100.00%	-
The Corporation	Anderson Merchandise Corporation	Sale of machinery and wood panels	100.00%	100.00%	-
The Corporation	Giben Holdings Co., Ltd. (BVI) (Giben BVI)	Investment	100.00%	100.00%	-
The Corporation	Giben Holdings Co., Ltd. (SAMOA) (Giben SAMOA)	Investment	100.00%	100.00%	-
The Corporation	Sogotec Enterprise Co., Ltd. (Sogotec)	Manufacture and sales of machinery	70.63%	70.63%	-
Shen-de Corporation	Sogotec	Manufacture and sales of machinery	28.62%	28.62%	c
Shen-de Corporation	Willis Ltd.	Importing and Exporting	50.00%	50.00%	d
Giben SOMOA	Giben America, Inc. (Giben America)	Manufacture and sales of machinery	100.00%	100.00%	-
Giben SOMOA	Giben do Brasil Maquinas e Equipamentos Ltda (Giben Brazil)	Manufacture and sales of machinery	0.28%	0.28%	-
Giben BVI	Giben Brazil	Manufacture and sales of machinery	99.72%	99.72%	-
CNT	Chengdu ZhongDe Nc Machinery Co., Ltd (Chengdu ZhongDe)	Manufacture of machinery	66.67%	66.67%	e.
Anderson Europe GmbH	A. Monforts Werkzeugmaschinen GmbH & Co. KG (Monforts GmbH)	Manufacture and sales of machinery	100.00%	100.00%	f
Sogotec	Sogotec (Sogotec Shanghai)	Manufacture and sales of machinery	100.00%	-	g

(Concluded)

Remarks:

- On May 10, 2016, the board of directors of Anderson Industrial (Hong Kong) Ltd. resolved to dissolve and liquidate the company. As of December 31, 2016, the process of liquidation is still ongoing.
- In January 2015, the Corporation acquired 1,080 thousand shares of Digital Photonics Corporation through cash payment of \$360 thousand (not based on ownership percentage), thereby, increasing its ownership from 85.50% to 94.5%. The board of directors of Digital Photonics Corporation resolved conducting its liquidation on May 10, 2016, and completed the process of liquidation on December 26, 2016.
- The Corporation invested \$192,600 thousand, which acquired 70.63% ownership in Sogotec. The investment resulted in that Shen-de Corporation held ownership in Sogotec decreased to 28.62% and the Corporation's comprehensive ownership reduced from 99.82% to 99.25%.
- In October 2015, the Corporation invested \$50,000 thousand and incorporated Willis Ltd. with non-related parties. The Corporation held 50.00% ownership in Willis Ltd.
- In January 2015, the Corporation invested \$26,977 thousand and incorporated Chengdu ZhongDe with non-related parties. The Corporation held 66.67% ownership in Chengdu ZhongDe.
- In August 2015, the Corporation invested \$76,523 thousand and incorporated Monforts GmbH. The Corporation held 100% ownership in Monforts GmbH.
- The Corporation invested \$16,781 thousand and incorporated Sogotec (Shanghai) in January 2016. The Corporation held 100% ownership in Sogotec (Shanghai). In addition, the Corporation invested \$9,706 thousand in cash to acquire an additional ownership in Sogotec (Shanghai).

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On March 29, 2016, the Corporation and Parpro Corporation jointly incorporated the holding company named Parpro Quality Inc.; the Corporation's investment was \$360,719 thousand (US\$11,045 thousand). Parpro Quality Inc. acquired 100% ownership in Parpro Technology Inc. (original name Cal Quality Electronics Inc.) for consideration of \$767,487 thousand (US\$23,500 thousand). Through this transaction, the Corporation acquired 47% ownership in Parpro Technology Inc. and the acquisition date was April 1, 2016.

On June 22, 2016, the Corporation's board of directors resolved to sell its 47% ownership in Parpro Technology Inc. to Parpro Corporation and completed the related process of the transaction on June 30, 2016. This transaction resulted in the recognition of a gain in profit or loss, calculated as follows:

Proceeds of disposal	\$ 370,530
Less: Carrying amount of investment on the date of loss of significant influence	<u>(366,271)</u>
Gain recognized	<u>\$ 4,259</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Research and Development Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2015	\$ 265,069	\$ 913,484	\$ 245,269	\$ 39,502	\$ 203,067	\$ 8,660	\$ 1,675,051
Additions	-	2,903	32,815	16,366	8,385	-	60,469
Disposals	-	(3,081)	(9,672)	(6,665)	(17,270)	-	(36,688)
Reclassification	-	1,598	-	-	(1,598)	(8,660)	(8,660)
Effect of foreign currency exchange differences	(345)	(11,357)	(10,787)	(5)	(4,326)	-	(26,820)
Balance at December 31, 2015	<u>264,724</u>	<u>903,547</u>	<u>257,625</u>	<u>49,198</u>	<u>188,258</u>	<u>-</u>	<u>1,663,352</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2015	-	314,789	179,738	18,763	163,657	-	676,947
Depreciation	-	40,314	15,935	5,820	14,532	-	76,601
Disposals	-	(2,905)	(6,167)	(5,414)	(13,464)	-	(27,950)
Reclassification	-	2,194	-	-	(2,194)	-	-
Effect of foreign currency exchange differences	-	(6,988)	(10,849)	(1)	(3,688)	-	(21,526)
Balance at December 31, 2015	<u>-</u>	<u>347,404</u>	<u>178,657</u>	<u>19,168</u>	<u>158,843</u>	<u>-</u>	<u>704,072</u>
Carrying amounts at December 31, 2015	<u>\$ 264,724</u>	<u>\$ 556,143</u>	<u>\$ 78,968</u>	<u>\$ 30,030</u>	<u>\$ 29,415</u>	<u>\$ -</u>	<u>\$ 959,280</u>
<u>Cost</u>							
Balance at January 1, 2016	\$ 264,724	\$ 903,547	\$ 257,625	\$ 49,198	\$ 188,258	\$ -	\$ 1,663,352
Additions	-	96,656	13,266	6,598	14,315	-	130,835
Disposals	-	(4,190)	(10,923)	(373)	(33,811)	-	(49,297)
Reclassification	-	12,314	(1,875)	9,583	(1,520)	-	18,502
Effect of foreign currency exchange differences	218	(7,358)	(3,595)	(51)	(2,430)	-	(13,216)
Balance at December 31, 2016	<u>264,942</u>	<u>1,000,969</u>	<u>254,498</u>	<u>64,955</u>	<u>164,812</u>	<u>-</u>	<u>1,750,176</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2016	-	347,404	178,657	19,168	158,843	-	704,072
Depreciation	-	41,832	19,138	13,610	12,521	-	87,101
Disposals	-	(4,073)	(9,684)	(369)	(33,208)	-	(47,334)
Reclassification	-	-	(1,152)	-	(1,861)	-	(3,013)
Effect of foreign currency exchange differences	-	(4,457)	(1,888)	(17)	(1,938)	-	(8,283)
Balance at December 31, 2016	<u>-</u>	<u>380,706</u>	<u>185,071</u>	<u>32,392</u>	<u>134,357</u>	<u>-</u>	<u>732,526</u>
Carrying amounts at December 31, 2016	<u>\$ 264,942</u>	<u>\$ 620,263</u>	<u>\$ 69,427</u>	<u>\$ 32,563</u>	<u>\$ 30,455</u>	<u>\$ -</u>	<u>\$ 1,017,650</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Building	3-55 years
Machinery	1-30 years
Research and development equipment	3-9 years
Other equipment	1-33 years

In August 1996, the Corporation purchased land in Houlong Township of Miaoli county for \$11,000 thousand. However, due to the statutory restrictions on the transfer of farmland, the title deed has not been legally transferred to the Corporation; therefore, the Corporation made an entrusting contract with the seller to prevent any future claims on the land by the seller, the seller's heir at law, or any other third parties. In addition, if the land zoning is changed, the seller is obligated to transfer the title immediately. Accordingly, the farmland is recorded under other non-current assets. In March 2005, the Corporation applied to the Land Office for the modification of land usage and changed parts of the land's zoning designation from farmland to construction use, which amounted to \$4,518 thousand. Accordingly, the Corporation has been registered as the legal owner, and has reclassified such land to property, plant and equipment.

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 25.

12. INTANGIBLE ASSETS

	Goodwill	Customer Relation	Patent	Trademark	Software	Total
<u>Cost</u>						
Balance at January 1, 2015	\$ 58,309	\$ 18,336	\$ 115,363	\$ 63,732	\$ -	\$ 255,740
Additions	-	-	6,348	-	239	6,587
Disposals	-	-	(65,514)	-	-	(65,514)
Effect of foreign currency exchange differences	<u>1,532</u>	<u>703</u>	<u>230</u>	<u>1,116</u>	<u>-</u>	<u>3,581</u>
Balance at December 31, 2015	<u>59,841</u>	<u>19,039</u>	<u>56,427</u>	<u>64,848</u>	<u>239</u>	<u>200,394</u>
<u>Accumulated amortization and impairment</u>						
Balance at January 1, 2015	-	659	106,242	-	-	106,901
Amortization expense	-	-	1,378	-	-	1,378
Disposals	-	-	(65,514)	-	-	(65,514)
Effect of foreign currency exchange differences	<u>-</u>	<u>46</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46</u>
Balance at December 31, 2015	<u>-</u>	<u>705</u>	<u>42,106</u>	<u>-</u>	<u>-</u>	<u>42,811</u>
Carrying amounts at December 31, 2015	<u>\$ 59,841</u>	<u>\$ 18,334</u>	<u>\$ 14,321</u>	<u>\$ 64,848</u>	<u>\$ 239</u>	<u>\$ 157,583</u>

(Continued)

	Goodwill	Customer Relation	Patent	Trademark	Software	Total
<u>Cost</u>						
Balance at January 1, 2016	\$ 59,841	\$ 19,039	\$ 56,427	\$ 64,848	\$ 239	\$ 200,394
Additions	-	-	-	-	1,134	1,134
Disposal (Note 9)	(4,304)	-	-	-	-	(4,304)
Reclassification	-	-	-	-	(461)	(461)
Effect of foreign currency exchange differences	<u>(750)</u>	<u>(334)</u>	<u>(362)</u>	<u>(546)</u>	<u>(47)</u>	<u>(2,039)</u>
Balance at December 31, 2016	<u>54,787</u>	<u>18,705</u>	<u>56,065</u>	<u>64,302</u>	<u>865</u>	<u>194,724</u>
<u>Accumulated amortization and impairment</u>						
Balance at January 1, 2016	-	705	42,106	-	-	42,811
Amortization expense	-	4,052	2,805	-	140	6,997
Disposal	-	-	-	-	-	-
Effect of foreign currency exchange differences	<u>-</u>	<u>(14)</u>	<u>(71)</u>	<u>-</u>	<u>(7)</u>	<u>(92)</u>
Balance at December 31, 2016	<u>-</u>	<u>4,743</u>	<u>44,840</u>	<u>-</u>	<u>133</u>	<u>49,716</u>
Carrying amounts at December 31, 2016	<u>\$ 54,787</u>	<u>\$ 13,962</u>	<u>\$ 11,225</u>	<u>\$ 64,302</u>	<u>\$ 732</u>	<u>\$ 145,008</u> (Concluded)

Other intangible assets are depreciated on a straight-line basis over the estimated useful lives as follows:

Customer relation	9 years
Patents	5-20 years
Software	4-5 years

Management believes the Group will renew the trademark continuously and has the ability to do so. Various studies including studies about product life cycle, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supported their opinion that there is no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows. Therefore, the trademark is considered to have an indefinite useful life. The trademark will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

13. BORROWINGS

a. Short-term borrowings

	December 31	
	2016	2015
<u>Secured borrowings (Note 24)</u>		
Bank loans	\$ 150,000	\$ 275,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>479,345</u>	<u>702,178</u>
	<u>\$ 629,345</u>	<u>\$ 977,178</u>

The ranges of interest rates on bank loans were 1.17%-1.95% and 0.76%-10.69% per annum as of December 31, 2016 and 2015, respectively.

b. Long-term borrowings

	December 31	
	2016	2015
<u>Secured borrowings (Note 24)</u>		
Bank loans	\$ 511,399	\$ 153,801
<u>Unsecured borrowings</u>		
Bank loans	<u>146,111</u>	<u>160,000</u>
	657,510	313,801
Less: Current portion	<u>(175,643)</u>	<u>(107,057)</u>
Long-term borrowings	<u>\$ 481,867</u>	<u>\$ 206,744</u>

As of December 31, 2016 and 2015, the interest rates of the bank borrowings secured by the Group's freehold land and building (see Note 25) were 1.70%-1.95% and 1.17%-2.00% per annum, respectively. The bank borrowings are due in August 2018 to February 2021.

14. OTHER LIABILITIES

	December 31	
	2016	2015
<u>Current</u>		
Other payables		
Payable for salaries and bonus	\$ 95,767	\$ 98,703
Payable for commission	71,751	63,122
Payable for business tax	10,232	22,992
Payable for bonus to employees and remuneration to directors and supervisors	4,531	2,994

(Continued)

	December 31	
	2016	2015
Payable for interest	\$ 1,101	\$ 1,000
Others	<u>60,581</u>	<u>65,624</u>
	<u>\$ 243,963</u>	<u>\$ 254,435</u>
Other liabilities		
Unearned receipts	\$ 393,893	\$ 325,921
Temporary receipts	14,802	12,527
Others	<u>10,504</u>	<u>5,592</u>
	<u>\$ 419,199</u>	<u>\$ 344,040</u>
		(Concluded)

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation, Sogotec, Anderson Merchandise Corporation and Digital Photonics Corporation adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group’s subsidiaries in other countries are members of state-managed retirement benefit plans operated by the local government. The subsidiary is required to contribute amounts equal to a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation and Sogotec in accordance with the Labor Standards Law are operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation and Sogotec contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2016	2015
Present value of funded defined benefit obligation	\$ 144,673	\$ 148,832
Fair value of plan asset	<u>(70,833)</u>	<u>(12,209)</u>
Deficit	73,840	136,623
Unrecognized actuarial loss, net	<u>-</u>	<u>-</u>
Net defined benefit liability	<u>\$ 73,840</u>	<u>\$ 136,623</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2015	<u>\$ 136,497</u>	<u>\$ (8,799)</u>	<u>\$ 127,698</u>
Service cost			
Current service cost	1,942	-	1,942
Net interest expense (income)	<u>2,729</u>	<u>(207)</u>	<u>2,522</u>
Recognized in profit or loss	<u>4,671</u>	<u>(207)</u>	<u>4,464</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(80)	(80)
Actuarial loss - changes in demographic assumptions	1,482	-	1,482
Actuarial loss - changes in financial assumptions	6,020	-	6,020
Actuarial loss - experience adjustments	<u>3,417</u>	<u>-</u>	<u>3,417</u>
Recognized in other comprehensive income	<u>10,919</u>	<u>(80)</u>	<u>10,839</u>
Contributions from the employer	<u>(3,255)</u>	<u>(3,123)</u>	<u>(6,378)</u>
Balance at December 31, 2015	<u>148,832</u>	<u>(12,209)</u>	<u>136,623</u>
Service cost			
Current service cost	1,359	-	1,478
Net interest expense (income)	<u>2,429</u>	<u>(227)</u>	<u>2,083</u>
Recognized in profit or loss	<u>3,788</u>	<u>(227)</u>	<u>3,561</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(185)	(185)
Actuarial loss - changes in demographic assumptions	1,100	-	1,100
Actuarial loss - changes in financial assumptions	6,017	-	6,017
Actuarial loss - experience adjustments	<u>(6,337)</u>	<u>-</u>	<u>(6,337)</u>
Recognized in other comprehensive income	<u>780</u>	<u>(185)</u>	<u>595</u>
Contributions from the employer	<u>(2,115)</u>	<u>(64,824)</u>	<u>(66,939)</u>
Contributions from the employee	<u>(6,612)</u>	<u>6,612</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 144,673</u>	<u>\$ (70,833)</u>	<u>\$ 73,840</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2016	2015
Discount rate	1.250%-1.500%	1.625%-1.750%
Expected rate of salary increase	3.000%-4.250%	3.000%-4.500%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2016	2015
Discount rate		
0.25% increase	<u>\$ (4,424)</u>	<u>\$ (4,644)</u>
0.25% decrease	<u>\$ 4,610</u>	<u>\$ 4,843</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 4,450</u>	<u>\$ 5,095</u>
0.25% decrease	<u>\$ (4,295)</u>	<u>\$ (5,081)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2016	2015
The expected contributions to the plan for the next year	<u>\$ 2,762</u>	<u>\$ 64,983</u>
The average duration of the defined benefit obligation	12.17-15.78 years	12.50-16.57 years

16. EQUITY

a. Share capital

Common stocks

	December 31	
	2016	2015
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>180,000</u>	<u>180,000</u>
Shares issued	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>

A holder of issued common stock with par value of NT\$10 per share is entitled to vote and to receive dividends.

On February 29, 2015, the Corporation's board of directors resolved to issue 33,000 thousand ordinary shares, with a par value of NT\$10 each, for consideration of NT\$11 per share, which will increase the share capital issued and fully paid to \$1,800,000 thousand. On April 22, 2015, the above transaction was approved by the FSC, and the subscription base date was determined by the Corporation's board of directors at April 21, 2015. On May 1, 2015, the Corporation has issued the shares and finished the registration of the new shares.

b. Capital surplus

	December 31	
	2016	2015
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Recognized from issuance of common stocks	\$ 167,340	\$ 184,973
Recognized from conversion of bonds	99,979	99,979
Recognized from treasury share transactions	<u>52,254</u>	<u>52,254</u>
	<u>\$ 319,573</u>	<u>\$ 337,206</u>

Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act made in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 6, 2016 and, in that meeting, resolved amendments to the Corporation's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonus to shareholders. The settlement of dividends and bonus distribution due to a capital increase in the fiscal year should be resolved in the shareholders' meeting. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 18(e) "Employee benefits expense".

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2014 which have been approved in the shareholders' meetings on June 30, 2015, was as follows:

	For the Year Ended December 31, 2014	
	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,744	
Cash dividends	18,000	\$0.10

The Corporation's shareholders also resolved to issue cash dividends from capital surplus of \$17,633 thousand (\$0.1 per share) in the shareholders' meeting on June 6, 2016.

The appropriations of earnings for 2016 proposed by the Corporation's board of directors on March 31, 2017 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 9,862	
Cash dividends	35,266	\$0.2

The Corporation's board of directors also proposed to issue cash dividends from capital surplus of \$52,899 thousand (\$0.3 per share) in the meeting of the board of directors on March 31, 2017.

The appropriations of earnings for 2016 are subject to the resolution in the shareholders' meeting to be held on June 19, 2017.

d. Treasury shares

Purpose of Buy-Back	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
<u>2016</u>				
Shares transferred to employees (in thousands of shares)	<u>3,119</u>	<u>550</u>	<u>-</u>	<u>3,669</u>
<u>2015</u>				
Shares transferred to employees (in thousands of shares)	<u>-</u>	<u>3,119</u>	<u>-</u>	<u>3,119</u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

17. REVENUE

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Revenue from the sale of goods	\$ 3,531,536	\$ 3,102,293
Revenue from the rendering of services	163,593	9,213
Others	<u>2,350</u>	<u>25,181</u>
	<u>\$ 3,697,479</u>	<u>\$ 3,136,687</u>

18. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Other income

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Interest income	\$ 6,526	\$ 1,561
Others	<u>54,085</u>	<u>38,524</u>
	<u>\$ 60,611</u>	<u>\$ 40,085</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Gain on disposal of available-for-sale financial assets, net	\$ 1,544	\$ 3,641
Loss on disposal of property, plant and equipment	(24)	(3,786)
Net foreign exchange gains	(42,717)	12,116
Others	<u>(2,951)</u>	<u>(4,812)</u>
	<u>\$ (44,148)</u>	<u>\$ 7,159</u>

c. Finance costs

For the Year Ended December 31
2016 **2015**

Interest on bank loans	\$ <u>28,456</u>	\$ <u>23,439</u>
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d. Depreciation and amortization

For the Year Ended December 31
2016 **2015**

Property, plant and equipment	\$ 87,101	\$ 76,601
Intangible assets	<u>6,997</u>	<u>1,378</u>

	\$ <u>94,098</u>	\$ <u>77,979</u>
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An analysis of depreciation by function

Operating costs	\$ 27,599	\$ 27,719
Operating expenses	<u>59,502</u>	<u>48,882</u>

	\$ <u>87,101</u>	\$ <u>76,601</u>
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An analysis of amortization by function

Operating costs	\$ -	\$ -
Operating expenses	<u>6,997</u>	<u>1,378</u>

	\$ <u>6,997</u>	\$ <u>1,378</u>
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e. Employee benefits expense

For the Year Ended December 31
2016 **2015**

Short-term benefits	\$ 639,547	\$ 588,022
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Post-employment benefits

Defined contribution plans	19,215	20,646
Defined benefit plans	<u>3,561</u>	<u>4,464</u>

	22,776	25,110
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Other employee benefits	<u>30,430</u>	<u>15,613</u>
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Total employee benefits expense	\$ <u>692,753</u>	\$ <u>628,745</u>
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An analysis of employee benefits expense by function

Operating costs	\$ 189,256	\$ 197,875
Operating expenses	<u>503,497</u>	<u>430,870</u>

	\$ <u>692,753</u>	\$ <u>628,745</u>
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1) Employees' compensation and remuneration of directors and supervisors for 2016 and 2015

In compliance with the Company Act as amended in May 2015 and the amended Articles of Incorporation of the Corporation approved by the shareholders in their meeting in June 2016, the Corporation accrued employees' compensation and remuneration of directors and supervisors at the rates between 1% and 10% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 which have been approved by the Corporation's board of directors on March 31, 2017, were as follows:

Accrual rate

	For the Year Ended December 31, 2016
Employees' compensation	1%
Remuneration of directors and supervisors	1%

Amount

	For the Year Ended December 31, 2016
	Cash
Employees' compensation	\$ 1,227
Remuneration of directors and supervisors	1,227

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 30, 2015 were as follows:

	For the Year Ended December 31, 2014
	Cash
Bonus to employees	\$ 1,570
Remuneration of directors and supervisors	471

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidation financial statements for the year ended December 31, 2015.

Information on the bonus to employees and remuneration of directors and supervisors resolved by the shareholders in their meeting in 2015 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

19. INCOME TAXES

a. Major components of tax expense (benefit) recognized in profit or loss

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	\$ 12,874	\$ 7,976
Adjustments for prior years	2,573	484
Income tax on unappropriated earnings	3,013	-
Others	-	19,673
Deferred tax		
In respect of the current year	<u>24,562</u>	<u>(29,181)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 43,022</u>	<u>\$ (1,048)</u>

A reconciliation of accounting profit and income tax expense (benefit) is as follows:

	For the Year Ended December 31	
	2016	2015
Profit (loss) before income tax	<u>\$ 140,047</u>	<u>\$ (43,138)</u>
Income tax expense (benefit) calculated at the statutory rate	\$ 23,808	\$ (7,333)
Nondeductible expenses in determining taxable income	(2,005)	10,202
Unrecognized deductible (taxable) temporary differences	9,056	(50,089)
Income tax on unappropriated earnings	3,013	-
Loss carryforward	(5,800)	-
Effect of different tax rate of Group entities operating in other jurisdictions	12,377	16,176
Adjustments for prior years' tax	2,573	484
Others	<u>-</u>	<u>29,512</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 43,022</u>	<u>\$ (1,048)</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by Group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement on defined benefit plan	<u>\$ 51</u>	<u>\$ (1,957)</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Share of loss of subsidiaries accounted for using the equity method	\$ 1,428	\$ (1,007)	\$ -	\$ 421
Defined benefit obligation	25,338	(12,371)	(51)	12,916
Unrealized gain on transactions with associates	3,647	(2,173)	-	1,474
Others	<u>28,745</u>	<u>5,771</u>	<u>-</u>	<u>34,516</u>
	<u>\$ 59,158</u>	<u>\$ (9,780)</u>	<u>\$ (51)</u>	<u>\$ 49,327</u>

Deferred tax liabilities

Share of income of subsidiaries accounted for using the equity method	\$ -	\$ 13,912	\$ -	\$ 13,912
Unrealized foreign exchange gains	<u>679</u>	<u>(679)</u>	<u>-</u>	<u>-</u>
	<u>\$ 679</u>	<u>\$ 13,233</u>	<u>\$ -</u>	<u>\$ 13,912</u>

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Share of loss of subsidiaries accounted for using the equity method	\$ 7,203	\$ (5,775)	\$ -	\$ 1,428
Defined benefit obligation	19,747	3,634	1,957	25,338
Unrealized gain on transactions with associates	4,581	(934)	-	3,647
Others	<u>22,125</u>	<u>6,620</u>	<u>-</u>	<u>28,745</u>
	<u>\$ 53,656</u>	<u>\$ 3,545</u>	<u>\$ 1,957</u>	<u>\$ 59,158</u>
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Share of income of subsidiaries accounted for using the equity method	\$ 19,773	\$ (19,773)	\$ -	\$ -
Unrealized foreign exchange gains	<u>6,542</u>	<u>(5,863)</u>	<u>-</u>	<u>679</u>
	<u>\$ 26,315</u>	<u>\$ (25,636)</u>	<u>\$ -</u>	<u>\$ 679</u> (Concluded)

d. Unused loss carryforward as of December 31, 2016 comprised of:

Unused Amount	Expiry Year
\$ 5,703	2019
611	2021
2,835	2022
2,551	2024
<u>12,777</u>	2026
<u>\$ 24,477</u>	

e. Integrated income tax

	<u>December 31</u>	
	2016	2015
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 100,810</u>	<u>\$ 2,800</u>
Imputation credits accounts		
The Corporation	<u>\$ 39,180</u>	<u>\$ 33,950</u>
Shen-de Corporation	<u>\$ 10,119</u>	<u>\$ 9,624</u>
Anderson Merchandise Corporation	<u>\$ 10,673</u>	<u>\$ 4,203</u>
Sogotec	<u>\$ 285</u>	<u>\$ 2,237</u>
Willis Ltd.	<u>\$ -</u>	<u>\$ -</u>
	<u>For the Year Ended December 31</u>	
	2016 (Expected)	2015
Creditable ratio for distribution of earnings		
The Corporation	20.85%	33.87%
Shen-de Corporation	None	None
Anderson Merchandise Corporation	29.10%	21.04%
Sogotec	1.49%	5.78%
Willis Ltd.	None	None

Under the Integrated Income Tax System that became effective on January 1, 1998, ROC resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by companies in the ROC for earnings generated since January 1, 1998.

f. Income tax assessments

The latest annual income tax returns that have been assessed by the tax authorities were as follows:

<u>Company</u>	<u>Year</u>
The Corporation	2014
Shen-de Corporation	2014
Anderson Merchandise Corporation	2015
Sogotec	2014
Willis Ltd.	-

20. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Basic earnings (loss) per share	\$ <u>0.56</u>	\$ <u>(0.24)</u>
Diluted earnings per share	\$ <u>0.56</u>	

The earnings and weighted average number of common stocks outstanding in the computation of earnings (loss) per share were as follows:

Net Profit (Loss) for the Year

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Profit (loss) for the period attributable to owners of the Corporation	\$ 98,616	\$ <u>(41,201)</u>
Effect of potentially dilutive common stocks:		
Employees' compensation or bonus issue to employees	<u>-</u>	
Earnings used in the computation of diluted earnings per share	\$ <u>98,616</u>	

Weighted average number of common stocks outstanding (in thousand shares):

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Weighted average number of common stocks in computation of basic earnings (loss) per share	176,388	<u>169,060</u>
Effect of potentially dilutive common stocks:		
Employees' compensation or bonus issue to employees	<u>125</u>	
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>176,513</u>	

Since the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. OPERATING LEASE ARRANGEMENTS

The Group as lessee.

Operating leases relate to leases of office and plant with lease terms between 1 and 5 years.

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31	
	2016	2015
Not later than 1 year	\$ 45,195	\$ 47,845
Later than 1 year and not later than 5 years	108,477	142,901
Later than 5 years	<u>15,608</u>	<u>-</u>
	<u>\$ 169,280</u>	<u>\$ 190,746</u>

Goodwill is recognized in the acquisition of Giben Brazil and Giben America because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Giben America. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

22. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings, other equity and non-controlling interests).

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

The Group is not subject to any externally imposed capital requirements.

23. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

The Group's management considers the carrying amounts recognized in the consolidated financial statements for financial assets and financial liabilities not carried at fair value to approximate their fair values or their fair values cannot be reliably measured.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2016

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	\$ 157,311	\$ -	\$ -	\$ 157,311

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Mutual funds	\$ 84,122	\$ -	\$ -	\$ 84,122

There were no transfers between Levels 1 and 2 in the current and prior periods.

- c. Categories of financial instruments

	<u>December 31</u>	
	2016	2015
<u>Financial assets</u>		
Loans and receivables (1)	\$ 1,944,969	\$ 1,994,723
Available-for-sale financial assets (2)	184,058	110,869
<u>Financial liabilities</u>		
Amortized cost (3)	1,924,307	1,827,827

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, accounts receivable, other receivables and long-term receivables.
- 2) The balances included the carrying amount of available-for-sale financial assets and financial assets measured at cost.
- 3) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable and short-term and long-term borrowings. The Group's corporate treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group had foreign currency sales and purchases, which were exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group managed the risk by balancing positions of assets and liabilities denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Group was mainly exposed to the currency United States dollar ("USD") and currency Renminbi ("RMB").

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity assuming New Taiwan dollars strengthened by 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	Currency USD Impact		Currency RMB Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2016	2015	2016	2015
Profit or loss	\$ 4,537	\$ 6,776	\$ 3,179	\$ 1,823

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2016	2015
Fair value interest rate risk		
Financial assets	\$ 42,541	\$ 179,512
Financial liabilities	30,000	80,724
Cash flow interest rate risk		
Financial assets	513,645	739,106
Financial liabilities	1,256,855	1,210,255

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The sensitivity analyses were determined based on the Group's exposure to interest rates at the end of the reporting period. A 10 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended December 31, 2016 would decrease/increase by \$743 thousand and per-tax loss for the year ended December 31, 2015 would increase/decrease by \$471 thousand, respectively, which was mainly attributable to the Group's exposure to cash flow on its variable-rate bank borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities.

Sensitivity analysis

If equity prices had been 10% higher/lower, pre-tax profit for year ended December 31, 2016 would have increased/decreased by \$6,464 thousand, as a result of the changes in fair value of held-for trading investments, and the pre-tax other comprehensive income for the year ended December 31, 2015 would increase/decrease by \$15,371 thousand and \$8,412 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and due to financial guarantees provided by the Group could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of excellent grade. This information is supplied by a rating agency where available and, if not available, the Group uses other publicly available financial information to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2016 and 2015, the Group had available unutilized bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ -	\$ 637,586	\$ -	\$ -	\$ -
Variable interest rate liabilities	74,786	449,652	250,551	481,866	-
Fixed interest rate liabilities	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 104,786</u>	<u>\$ 1,087,238</u>	<u>\$ 250,551</u>	<u>\$ 481,866</u>	<u>\$ -</u>

December 31, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ -	\$ 536,848	\$ -	\$ -	\$ -
Variable interest rate liabilities	228,739	579,052	196,884	205,580	-
Fixed interest rate liabilities	<u>50,000</u>	<u>30,000</u>	<u>724</u>	<u>-</u>	<u>-</u>
	<u>\$ 278,739</u>	<u>\$ 1,145,900</u>	<u>\$ 197,608</u>	<u>\$ 205,580</u>	<u>\$ -</u>

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	<u>December 31</u>	
	2016	2015
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount used	\$ 951,815	\$ 980,208
Amount unused	<u>1,426,685</u>	<u>1,385,522</u>
	<u>\$ 2,378,500</u>	<u>\$ 2,365,730</u>
Secured bank overdraft facility:		
Amount used	\$ 562,024	\$ 443,216
Amount unused	<u>-</u>	<u>355,000</u>
	<u>\$ 562,024</u>	<u>\$ 798,216</u>

e. Transfers of financial assets

During 2016 and 2015, the Group discounted accounts receivable with an aggregate carrying amount of \$49,472 thousand and \$283,572 thousand to a bank for cash proceeds of \$49,203 thousand and \$234,699 thousand, respectively. According to the contract, if the accounts receivable are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these accounts receivable, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing (see Note 25).

As of December 31, 2016 and 2015, the carrying amount of the accounts receivable that have been transferred but have not been derecognized amounted to \$43,815 thousand and \$106,099 thousand, respectively, and the carrying amount of the related liability was \$35,024 thousand and \$84,216 thousand, respectively.

24. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. The price and the transaction terms with related parties were not significantly different from those with third parties. Details of transactions between the Group and other related parties are disclosed below:

Compensation of Key Management Personnel

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 64,883	\$ 53,284
Post-employment benefits	<u>1,702</u>	<u>2,244</u>
	<u>\$ 66,585</u>	<u>\$ 55,528</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets at book value were provided as collateral for bank borrowings:

	December 31	
	2016	2015
Accounts receivable	\$ 30,928	\$ 88,225
Long-term receivables	12,887	17,874
Freehold land	122,638	122,638
Building	435,359	421,648
Other non-current assets	<u>6,482</u>	<u>6,482</u>
	<u>\$ 608,294</u>	<u>\$ 656,867</u>

26. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On February 10, 2017, in order to augment the product lines, meet the need of market diversification, and enhance the synergy of operation, the Corporation's board of directors resolved to acquire assets of Matec Maschinenbau GmbH, a company in Germany, for a total amount of EUR8,000 thousand. On March 28, 2017, the Corporation's board of directors resolved to revise the original application of funds and acquisition of properties of Matec Maschinenbau GmbH to a total amount of EUR3,900 thousand. Then, the Corporation incorporated Matec GmbH in Germany through its subsidiary, Anderson Europe GmbH, for a total amount of EUR3,100 thousand. Finally, Matec GmbH acquired other fixed assets, inventories, and patent and etc. of Matec Maschinenbau GmbH.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies (“NTD”) were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

The Group entities’ significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 19,638	32.250 (USD:NTD)	\$ 633,326
RMB	69,118	4.617 (RMB:NTD)	319,118
EUR	2,129	33.900 (EUR:NTD)	72,173

Financial liabilities

Monetary items			
USD	5,569	32.250 (USD:NTD)	179,600
RMB	274	4.617 (RMB:NTD)	1,265

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 27,515	32.825 (USD:NTD)	\$ 903,180
RMB	38,640	4.995 (RMB:NTD)	193,007

Financial liabilities

Monetary items			
USD	6,873	32.825 (USD:NTD)	225,606
RMB	2,147	4.995 (RMB:NTD)	10,724

For the years ended December 31, 2016 and 2015, (realized and unrealized) net foreign exchange loss amounted to \$42,717 thousand and \$12,116 thousand, respectively. It is impractical to disclose net foreign exchange gain (loss) by each significant foreign currency due to the variety of the foreign currency transactions.

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 6)
- 9) Trading in derivative instruments. (None)
- 10) Information on investees. (Table 8)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (None)

29. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments were as follows:

a. Segments revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	For the Year Ended December 31	
	2016	2015
<u>Segment revenues</u>		
Machinery segment	\$ 3,858,886	\$ 3,294,076
Wood panels segment	700,923	703,719
Eliminations	<u>(862,330)</u>	<u>(861,108)</u>
	<u>\$ 3,697,479</u>	<u>\$ 3,136,687</u>
<u>Segment income</u>		
Machinery segment	\$ 119,872	\$ (102,692)
Wood panels segment	<u>26,616</u>	<u>35,749</u>
	146,488	(66,943)
Non-operating income and expenses	<u>(6,441)</u>	<u>23,805</u>
Profit (loss) before tax	<u>\$ 140,047</u>	<u>\$ (43,138)</u>

b. Segment total assets and liabilities

The Group's segment total assets and liabilities and other segment information were not provided to the chief operating decision maker; therefore, disclosure was not necessary.

c. Geographic information

	Revenue from External Customers	
	For the Year Ended December 31	
	2016	2015
Taiwan	\$ 860,438	\$ 1,398,197
China	835,459	545,688
USA	693,266	526,212
Germany	359,585	133,507
Thailand	201,660	205,000
Australia	118,370	150,753
Others	<u>628,701</u>	<u>177,330</u>
	<u>\$ 3,697,479</u>	<u>\$ 3,136,687</u>

		Non-current Assets	
		December 31	
		2016	2015
Taiwan	\$	831,335	\$ 745,577
China		83,125	99,777
USA		97,857	100,822
Germany		25,044	25,228
Brazil		<u>213,220</u>	<u>203,224</u>
		<u>\$ 1,250,581</u>	<u>\$ 1,174,628</u>

Note: Non-current assets exclude financial instruments and deferred tax assets.

d. Revenue from major products and services

The Group does not have revenue from a single customer that exceeds 10% of the consolidated revenue.

TABLE 1

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 2)	Ending Balance (Note 2)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 1 and 3)	Note
													Item	Value			
0	The Corporation	Monforts GmbH	Accounts receivable - related parties	Yes	\$ 71,780	\$ 67,800	\$ 40,002	2.5%	Short-term financing	\$ -	Operation requirements	\$ -	-	\$ -	\$ 459,568	\$ 919,136	-

- Note 1: Based on audited financial statements.
- Note 2: The balance for the period and ending balance represent the amount approved by the board of directors.
- Note 3: The loan limit should not exceed 40% of total equity of the Corporation. The loan limit to one party should not exceed 20% of the total equity or business transaction amount.

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 3)											
0	The Corporation	Anderson Europe GmbH	b	\$ 689,352	\$ 46,859	\$ 44,793	\$ -	\$ -	2	\$ 1,148,920	Yes	-	-	-
		Monforts GmbH	b	689,352	198,343	117,430	117,430	-	5	1,148,920	Yes	-	-	-
		Anderson Merchandise Corporation	b	689,352	434,153	432,875	214,258	-	19	1,148,920	Yes	-	-	-
		Sogotec	b	689,352	200,000	200,000	150,000	-	9	1,148,920	Yes	-	-	-

Note 1: The balance should not exceed 30% of total equity of the Corporation.

Note 2: The balance should not exceed 50% of total equity of the Corporation.

Note 3: The relationship is as follows:

- b. The Corporation controls over 50% of subsidiary’s ordinary shares directly.

TABLE 3**ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2016****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
The Corporation	Sinopac EMD & High Yield Bond Fund of Funds	-	Available-for-sale financial assets - current	1,645	\$ 18,753	-	\$ 18,753	Note 2
CNT	Bank of Communication Daily Interest S type financial product - Guaranteed floating rate type	-	Available-for-sale financial assets - current	-	50,787	-	50,787	Note 2
	CheinYuan-Special gain” No. 181 year 2016 fixed term financial product	-	Available-for-sale financial assets - current	-	46,170	-	46,170	Note 2
	CheinYuan-Special gain” No. 204 year 2016 fixed term financial product	-	Financial assets at fair value through profit or loss - current	-	13,851	-	13,851	Note 2
	Bank of Communication “Winton profits guaranteed” financial product for 91 days	-	Financial assets at fair value through profit or loss - current	-	41,553	-	41,553	Note 2
	Bank of Communication CheinYuan -Yaincheshifang” No. 211 year 2016 fixed term financial product	-	Financial assets at fair value through profit or loss - current	-	9,234	-	9,234	Note 2
Anderson Merchandise Corporation	Templeton Global Smaller Comp Fund A	-	Available-for-sale financial assets - current	2	934	-	934	Note 2
	Fidelity European Sm Cos A-EUR	-	Available-for-sale financial assets - current	1	952	-	952	Note 2
Sen-de Corporation	Stock: Harbinger Technology Corporation	-	Financial assets measured at cost - non-current	2,675	26,747	9.00	17,608	Note 2
	Hua Nan Phoenix Money Market	-	Available-for-sale financial assets - current	117	28,172	-	28,172	Note 2
Chengdu ZhongDe	Anshin Lindon RMB financial product for 45 days	-	Available-for-sale financial assets - current	-	11,543	-	11,543	Note 2

Note 1: Information on investments in subsidiaries and associates, see Table 7 and Table 8 for details.

Note 2: Fair value is measured at net assets of fund. Fair value is based on the net assets value reported in the recent financial statements of the issuer of unlisted stock.

TABLE 4

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
The Corporation	Parpro Quality Inc.	Equity method	Buy-in: Parpro Corporation Sold out: Parpro Corporation	- The same chairman	-	\$ -	11,045	\$ 360,719	11,045	\$ 370,530	\$ 366,271 (Note)	\$ 4,259	-	\$ -

Note: The carrying amount included the share of profits (losses) of subsidiaries and associates \$5,552 thousand.

TABLE 5

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	CNT Anderson America	Subsidiaries Subsidiaries	Sale	\$ (124,247)	(3)	The same as other customer	\$ -	-	\$ 94,947	16	
			Sale	(268,227)	(7)	The same as other customer	-	-	125,487	21	
Sogotec	Sogotec (Shanghai)	Subsidiaries	Sale	(148,879)	(4)	The same as other customer	-	-	142,556	24	

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Corporation	Anderson America	Subsidiaries	\$ 125,487	2.17	\$ -	-	\$ 53,364	\$ -
Sogotec	Sogotec (Shanghai)	Subsidiaries	142,556	2.09	-	-	20,061	-

TABLE 7**ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES****BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTION
FOR THE YEAR ENDED DECEMBER 31, 2016****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Number	Company Name	Counterparty	Relationship (Note)	Transaction Details			
				Financial Account	Amount	Transaction Terms	% to Total Revenue or Assets
0	The Corporation	Anderson America	1	Sales revenue	\$ 268,227	The same as common term of trade	7
		CNT	1	Sales revenue	124,247	The prices are the Corporation's cost plus 3%	3
		Giben America	1	Sales revenue	83,757	The same as common term of trade	2
		Sogotec	1	Sales revenue	54,688	The same as common term of trade	1
		Anderson America	1	Accounts receivable - related parties	125,487	The same as common term of trade	3
		CNT	1	Accounts receivable - related parties	94,947	The same as common term of trade	2
		Anderson Merchandise Corporation	1	Accounts receivable - related parties	34,793	The same as common term of trade	1
		Giben America	1	Accounts receivable - related parties	58,568	The same as common term of trade	1
		Giben Brasil	1	Accounts receivable - related parties	48,301	The same as common term of trade	1
		Sogotec	1	Accounts receivable - related parties	89,080	The same as common term of trade	2
		CNT	1	Other receivable - related parties	56,212	The same as common term of trade	1
		Sogotec	1	Other receivable - related parties	27,246	The same as common term of trade	1
		Monforts	1	Other receivable - related parties	41,122	The same as common term of trade	1
1	Giben Brasil	Giben America	3	Sales revenue	32,646	The same as common term of trade	1
		Giben America	3	Accounts receivable - related parties	11,793	The same as common term of trade	-
2	Jentec	CNT	3	Sales revenue	32,597	The same as common term of trade	1
3	Sogotec	Sogotec (Shanghai)	3	Sales revenue	148,879	The same as common term of trade	4
		Sogotec (Shanghai)	3	Accounts receivable - related parties	142,556	The same as common term of trade	2
4	CNT	Sogotec (Shanghai)	3	Sales revenue	16,660	The same as common term of trade	-
		Sogotec (Shanghai)	3	Accounts receivable - related parties	18,560	The same as common term of trade	-
		Sogotec	3	Sales revenue	12,663	The same as common term of trade	-
		Jentec	3	Sales revenue	12,114	The same as common term of trade	-
5	Giben SAMOA	Monforts	3	Sales revenue	12,042	The same as common term of trade	-
		Giben America	1	Sales revenue	12,633	The same as common term of trade	-
		Monforts	3	Accounts receivable - related parties	11,405	The same as common term of trade	-

Note: 1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

TABLE 8

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2016			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2016	December 31, 2015	Shares	%	Carrying Amount			
The Corporation	Anderson Industrial	Hong Kong	Importing, exporting and general investing activities	\$ 1,014	\$ 1,014	300	100.00	\$ 33,575	\$ 371	\$ 371	Subsidiary
	Anderson Europe GmbH	Germany	Sale of machinery and wood panels	223,476	174,993	-	100.00	157,072	48,494	48,494	Subsidiary
	Anderson America	USA	Sale of machinery and wood panels	165,197	165,197	1	100.00	17,849	11,572	11,572	Subsidiary
	Sen-de Corporation	Taiwan	Importing and Exporting	220,000	220,000	22,000	100.00	201,990	(904)	(904)	Subsidiary
	Giben BVI	British Virgin Islands	Investment	361,517	361,517	10	100.00	284,624	(26,296)	(26,296)	Subsidiary
	Giben SAMOA	SAMOA	Investment	146,642	146,642	10	100.00	189,145	51,446	51,446	Subsidiary
	Digital Photonics Corporation	Taiwan	Optical equipment	-	34,950	-	-	-	-	-	Note 2
	Anderson Merchandise Corporation	Taiwan	Sale of machinery and wood panels	50,000	50,000	5,000	100.00	96,998	15,967	15,967	Subsidiary
	Sogotec	Taiwan	Manufacture and sales of machinery	190,709	190,709	10,595	70.63	133,556	13,367	9,441	Subsidiary
Sen-de Corporation	Sogotec	Taiwan	Manufacture and sales of machinery	171,961	171,961	4,292	28.62	72,819	13,367	Not applicable	Subsidiary
	Willis Ltd.	Taiwan	Importing and Exporting	10,000	5,000	-	50.00	8,727	(2,215)	Not applicable	Sub-subsubsidiary
Giben SAMOA						(Note 1)					
	Giben America, Inc.	USA	Manufacture and sales of machinery	145,329	145,329	-	100.00	140,023	25,721	Not applicable	Sub-subsubsidiary
	Giben Brasil	Brazil	Manufacture and sales of machinery	1,014	1,014	-	0.28	798	(21,672)	Not applicable	Sub-subsubsidiary
Giben BVI						(Note 1)					
	Giben Brasil	Brazil	Manufacture and sales of machinery	361,213	361,213	-	99.72	284,320	(21,672)	Not applicable	Sub-subsubsidiary
Anderson Europe GmbH						(Note 1)					
	Monforts GmbH	Germany	Manufacture and sales of machinery	125,006	76,523	-	100.00	124,210	41,677	Not applicable	Sub-subsubsidiary

Note 1: Limited company structure.

Note 2: Liquidated.

Note 3: Eliminated in the consolidated financial statements.

TABLE 9

ANDERSON INDUSTRIAL CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2016	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2016	Accumulated Repatriation of Investment Income as of December 31, 2016	Note
					Outflow	Inflow							
CNT	Manufacture of woodworking machinery	\$ 264,167	a	\$ 264,167	\$ -	\$ -	\$ 264,167	\$ 27,281	100.00	\$ 27,281	\$ 397,394	\$ -	Note 2
Jentec	Manufacture of machinery	70,640	a	70,640	-	-	70,640	(22,634)	100.00	(22,634)	77,112	-	Note 2
Chengdu ZhongDe	Manufacture of machinery	40,264	b	-	-	-	-	(1,769)	67.00	(1,185)	21,876	-	Note 2
Sogotec (Shanghai)	Sale of machinery	26,487	c	-	26,487	-	26,487	(2,476)	100.00	(2,476)	21,614	-	Note 2

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 361,294	\$ 361,294	\$ - (Note 3)

Note 1: The methods of investment are as follows:

- a. Direct investment in mainland China.
- b. Indirect investment in mainland China through CNT. CNT has obtained 67% contribution for \$26,977 thousand (RMB5,360 thousand).
- c. Sogotec has obtained 100% contribution for \$26,487 thousand (US\$800 thousand).

Note 2: The amount was calculated based on the audited financial statements.

Note 3: In accordance with “Examination Principles for Licensing Investment or Technical Cooperation in Mainland China” (revised by the MOEA on August 29, 2008), the Corporation has acquired certificate of operating scope, therefore the upper limit dose not have to be calculated.

Note 4: Eliminated in the consolidated financial statements.

VI. Insolvency in the Company and its subsidiaries in the most recent year to the date this report was printed, and the effect on the financial position of the Company: no

SEVEN. Review and analysis of financial position and performance and related risks

I. Financial Position

Main cause of the significant change in assets, liabilities and equity in the last 2 years and the effect. Specify the plan for corrective action in the future if the effect is critical.

Unit: NTD1,000

Year Item	2016	2015	Difference	
			Amount	%
Current assets	3,460,963	3,336,894	124,069	3.72%
Property, Plant, and Equipment	1,017,650	959,280	58,370	6.08%
Intangible assets	145,008	157,583	(12,575)	-7.98%
Other assets	180,184	202,864	(22,680)	-11.18%
Total assets	4,803,805	4,656,621	147,184	3.16%
Current liabilities	1,907,631	2,019,864	(112,233)	-5.56%
Non-current liabilities	575,341	353,756	221,585	62.64%
Total liabilities	2,482,972	2,373,620	109,352	4.61%
Shareholders' equity attributable to parent company	2,297,840	2,261,455	36,385	1.61%
Capital stock	1,800,000	1,800,000	-	-
Additional paid-in capital	319,573	337,206	(17,633)	-5.23%
Retained earnings	263,863	165,853	98,010	59.09%
Other equity	(50,624)	(11,541)	(39,083)	338.64%
Treasury shares	(34,972)	(30,063)	(4,909)	16.33%
Uncontrolled equity	22,993	21,546	1,447	6.72%
Total equity	2,320,833	2,283,001	37,832	1.66%

Notes to changes in the ratios: (ratios changed by more than 20% and amount changed by more than NTD10 million)

1. Non-current liabilities: caused by raising long-term loans.
2. Retained earnings: caused by corporate earnings in 2016.
3. Other equity: caused by exchange loss recognized in the financial statements of foreign operations.

II. Financial Performance

- (1) Main cause of the significant changes in revenue, operating income and earnings before taxation in the last 2 years and projected sale volume and the basis of projection, possible influence on the financial position and operation of the Company, and the response.

Unit: NTD1,000

Item	2016	2015	Change in amount	Change in proportion (%)
Revenues	3,697,479	3,136,687	560,792	17.88%
Gross profits	1,234,498	907,131	327,367	36.09%
Operating income	146,488	(66,943)	213,431	-318.82%
Non-operating income and expenses	(6,441)	23,805	(30,246)	-127.06%
Earnings before taxes	140,047	(43,138)	183,185	-424.65%
Earnings of continued operations in current period	97,025	(42,090)	139,115	-330.52%
Loss of discontinued operations	-	-	-	-
Earnings (loss) in current period	97,025	(42,090)	139,115	-330.52%
Other comprehensive incomes in current period (earnings)	(40,850)	(51,440)	10,590	-20.59%
Total comprehensive income in current period	56,175	(93,530)	149,705	-160.06%
Shareholders' equity attributable to parent company	98,616	(41,201)	139,817	-339.35%
Net profits attributable to uncontrolled equity	(1,591)	(889)	(702)	78.97%
Total comprehensive incomes attributable to shareholders of parent company	58,927	(92,541)	151,468	-163.68%
Total	(2,752)	(989)	(1,763)	178.26%

comprehensive incomes attributable to shareholders of parent company				
Earnings per share	0.56	(0.24)	0.80	-333.33%
Notes to changes in the ratios: (ratios changed by more than 20% and amount changed by more than NTD10 million.)				
1. Gross profit and operating income: the increase in both gross profit and operating income in 2016 was caused by an improvement of sale performance in 2016.				
2. Non-operating incomes and expenses: caused by the exchange loss in 2016.				
3. Earnings before taxation and earnings of continued operations and earnings in current period: the improvement of sale performance in 2016 contributed to the increase of gross profit and operating income, which in turn improved earnings before taxation and earnings of continued operations in current period.				
4. Other comprehensive incomes in current period: caused by the decrease in the reassessment value of defined benefit plan of 2016.				
5. Total comprehensive income in current period: caused by the increase of earnings in 2016, which in turn helped to improve the total comprehensive income in current period.				
6. Earnings and comprehensive incomes attributable to the shareholders of the parent company: caused by the increase of earnings and total comprehensive incomes in 2016.				
7. Earnings per share: caused by the increase of earnings in 2016.				

(II) The projection of sale volume in the year ahead and the basis of projection, and the major factors contributed to the sustainable growth of sale volume or decline of sale volume:

(1) Projection of sale volume in the year ahead:

1. In 2016, 627 units of CNC precision centers were sold. It is expected that 724 units will be sold in 2017 at a growth rate of 15%.
2. In 2016, 30 units of inkjet printers were sold. It is expected that 88 units will be sold in 2017 at a growth rate of 193%.
3. In 2016, 226 units of electronic machinery were sold. It is expected that 310 units will be sold in 2017 at a growth rate of 37%.

(2) Major factors contributed to sustainable growth or decline:

1. Improvement of current models for upgrading quality.
2. Training of international marketing personnel and technical service team to expand channels in the emerging markets.
3. Search for strategic partners to broaden vertical and horizontal integration of products.
4. Increase the proportion of self-manufactured parts and components to reduce cost and upgrade product quality for stronger competitive power.
5. Development of new market for boosting sale

III. Cash Flow

(I) Analysis of liquidity in the last 2 years

Item \ Year	2016	2015	Change in ratio %
Cash flow ratio	(4)	20	(120%)
Cash flow adequacy ratio	193	86	124%
Cash reinvestment ratio	(3)	13	(123%)

Notes to change in ratios:

The cash flow ratio and cash reinvestment ratio declined mainly because of the net cash outflow from operation in 2016. The rise of the cash adequacy ratio was the result of the increase of net cash flow from operation in the last 5 years.

(II) Analysis of liquidity in the year ahead

Beginning balance of cash(1)	Net cash flow from operation in current period (2)	Cash inflow in current period (3)	Amount of cash surplus (short)/(1) + (2) – (3)	Remedy for expected cash inadequacy	
				Investment plan	Wealth management plan
536,998	181,300	47,668	584,666	-	-

Analysis of changes in cash flows:

1. Operations: mainly from earnings in current period.
2. Investments: mainly from acquisition of fixed assets and equity investment.
3. Financing: mainly from payment of cash dividends.
4. Remedy for cash inadequacy and analysis of liquidity: not applicable.

IV. Significant capital spending in the most recent year and its effect on financial position and operation: no

V. Direct investment policy in the most recent year and main cause of profit or loss from investments, the plan for corrective action, and investment plan for the year ahead:

2016.12.31 ; Unit: NTD1,000

Direct Investments	Income (loss) in 2016	Policy	Main reason for profit or loss	Plan for corrective action	Investment plan in the year ahead
Zhong Deh Industrial Co., Ltd.	27,281	Production and Sale in Mainland China	Normal	No	No
Anderson USA	11,572	Sale in the USA	Normal	No	No
Anderson Germany	48,494	Production, sale and holding companies in Europe	Normal	No	No
Anderson Hong Kong	371	Financial operation	Normal	No	No
Sheng Deh Investment	(904)	Holding companies	Recognition of loss in the investees	No	No
Yu De Industrial Co.,Ltd.	15,967	Board materials trade	Normal	No	No
SOGOTEC	13,367	Production and sale of drilling machines	Normal	No	No
SOGOTEC Shanghai	(2,476)	Production and sale of drilling machines	Newly established company and is at the initial stage of operation.	Intensify the development of new customers	No
You Deh Machinery	(22,634)	Production and sale in Mainland China	Decline of sales performance	Intensify the development of new customers	No
Chengdu Zhongde	(1,769)	Production and sale in Mainland China	Newly established company and is at the initial stage of operation.	Intensify the development of new customers	No
Willis	(2,215)	Import and export trade	Newly established company and is at the initial stage of operation.	Intensify the development of new customers	No
Giben Holdings Co. Ltd(SAMOA)	51,446	Holding company	Normal	No	No
Giben Holdings Co. Ltd(BVI)	(26,296)	Holding company	Recognition of loss in the investee	No	No
Giben America, Inc.	25,721	Sale in the USA	Normal	No	No
Giben do Brasil Maquinas e Equipamentos Ltda	(21,672)	Production and sale in Brazil	In stagnancy due to the political influence of Brazil in economic development.	Intensify the development of new customers	No
A. Monforts Werkzeugmaschinen GmbH & Co. KG	41,677	Production and sale in Europe	Normal	No	No

VI. Assessment and analysis of risks

Analysis and assessment of the following in the most recent year to the date this report was printed.

(I) The effect of changes in interest rate and exchange rate, and inflation on the income status of the Company and responses:

1. The net interest expense and net loss from foreign exchange of the Company in 2016 amounted to NTD28,456 thousand and NTD42,717 thousand, and accounted for 0.77% and 1.16% of the revenue, respectively. Exchange rate fluctuated widely in 2017. The Company planned to engage in exchange rate hedge to reduce the influence of exchange rate fluctuation, which made the influence of exchange rate fluctuation on the Company insignificant.
2. The Company evaluates the interest rate for loans from banks at regular intervals, and has maintained close liaison with banks so as to get preferential rate for loans, which helped to cut down the cost of interest. A policy of foreign exchange operation has been in place, which specifies the principle of squaring up the position under foreign exchange rate fluctuation and close attention to any change in the exchange rate. Strict operation procedure is also in place to keep abreast of the latest exchange rate so reduce exchange risk and hence the influence on the profit position of the Company.
3. There was no inflation in 2016 that affected the Company.

(II) The policies of high risk and high leverage investments, loaning to third parties, endorsement/guarantee, and derivative trade, the main reason for profit or loss, and the responses in the future:

Item	Policy	Main reason for profit or loss	Responses in the future
High risk investments	Prohibited	No	No
High leverage investments	Prohibited	No	No
Loaning of funds to third parties	As required by regulations	No	No
Endorsement/guarantee	As required by regulations	No	No
Derivative Trade	Hedge trade is the principle of trading	Assessment of market risk to hedge off exchange risks	No

(III) R&D budget and plans in the future:

R&D items	Description
R&D plans	➤ Development of shuttle light duty processing machine ➤ Development of PTP3012 drilling machine ➤ Development of G448 machine ➤ Development of SpectraPlus Core Winder ➤ Development of multiple-layer aluminum cutters

	➤ KS4600 edge banding technology transfer ➤ Development of HSK63FDC principal axis ➤ Development of HSK40EDC principal axis ➤ Development of HSK50EAC principal axis ➤ Development of the new version of SoCJetting main board
R&D expenses for further investments	72,993
Estimated time for mass production	1 year
The influence from successful research and development	➤ The persistence of the R&D staff ➤ The support of company policy ➤ No significant changes in market needs.

- (IV) The effects of the changes in major policies and laws in foreign countries on the financial position and operations of the Company and the responses: no
- (V) The effects of the changes in technology and industry on the financial position and operations of the Company and the responses: no
- (VI) The effects of the changes in corporate image on the financial position and operations of the Company and the responses: no
- (VII) The expected results and possible risks deriving from merger and acquisition and responses:
- Expected expansion in the product portfolio of machinery for wood board processing and production of machinery for solid wood processing and marketing locations. Possible risks could be the failure to accomplish the desired results and will make additional efforts in the management of the subsidiaries to achieve the desired goals.
- (VIII) Expected results, possible risks of capacity expansion and the responses: no
- (IX) The risks deriving from concentration of purchase and sale, and the responses:
- As disclosed in the section of Operating Highlights in this report, there is no excessive concentration in purchase and sale of the Company.
- (X) The effects of and the risks deriving from the massive transfer of equity shares by or the replacement of Directors, Supervisors or major shareholders holding more than 10% of the outstanding shares of the Company: no
- (XI) The effects of and the risks deriving from the changes in the management on the Company and responses: no
- (XII) Law suits and non-contentious matters
1. Major law suits, non-contentious cases or administrative action of the Company already trailed by the court or are still under legal proceedings and the results may cause a significant influence on the shareholders' equity or stock price of the Company: no
 2. Major law suits, non-contentious cases or administrative action of the Directors, Supervisors, General Managers, the person in charge, and shareholders holding more than 10% of the outstanding shares of the Company already trialed by court or are still under legal proceedings:

Public prosecution has been instituted against Director Steve Sheng by the Public Procurator's Office of Miaoli District Court of Taiwan on charges of violation of the Securities and Exchange Act and the Criminal Code. He was acquitted from the charges in the ruling of the court on June 24 2014. A second trial from an appeal of the prosecutors was held in Taiwan High Court on December 15 2015 and was overruled. The public prosecutors have already appealed to the Supreme Court for a third trial pending the final ruling of the court. Director Steve Sheng mentioned that he did not violate the Securities and Exchange Act and the Criminal Code. This case is a personal matter and is unrelated to the financial position and operations of the Company. There is no significant influence on the shareholders' equity or stock price of the Company.

(XIII) Other major risks and responses: no

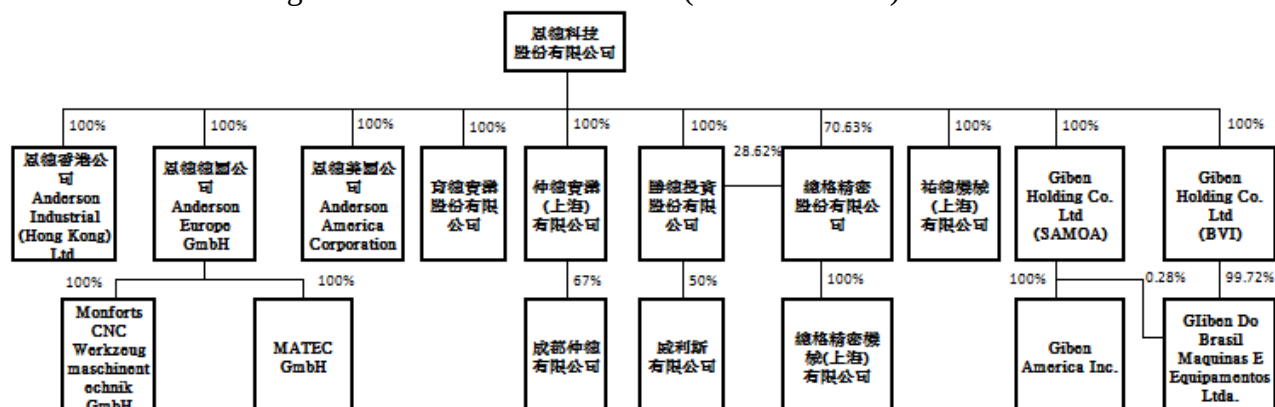
VII.Other information: no

EIGHT. Special Notes

I. Profiles of the Affiliates

Report on operation of affiliates

1. Organizational Chart of affiliates (March 31 2017)



2. Basic information on the affiliates

Name of affiliated enterprise	Date of incorporation	Address	Paid-in capital	Principal business or products
Anderson Industrial (Hong Kong) Ltd.	1993.5.5	2 nd Floor, Caltex House 258, Hennessy Road, Hong Kong	HKD 300,000	Trading of precision machinery and peripheral products
Anderson Europe GmbH	1993.10.5	Am Oberen Feld 5 32758 Detmold Germany	EUR 2,525,000	Trading of precision machinery and peripheral products
Anderson America Corporation	1994.10.1	10710 Southern Loop Blvd. Charlotte, NC 28134 U.S.A	USD 4,800,000	Trading of precision machinery and peripheral products
Zhongde Industrial (Shanghai) Co., Ltd.	1997.3.20	No. 648, Fangta North Road, Songjiang District, Shanghai	USD 8,000,000	Manufacturing and trading of precision machinery and peripheral products
Youde Machinery (Shanghai) Co., Ltd.	1997.9.21	No. 328, Dongjing Road, Songjiang Industrial Park, Songjiang, Shanghai	USD 2,425,000	Manufacturing and trading of precision machinery and peripheral products
Sheng Deh Investment Co., Ltd.	2006.11.16	6F, No. 88, Zhongshan North Road Section VI, Shilin District, Taipei	NTD220,000,000	General investment
Yu De Industrial Co., Ltd.	2013.5.31	5F, No. 88, Zhongshan North Road Section VI, Shilin District, Taipei	NTD50,000,000	Wholesaling and Retailing of board materials
SOGOTEC (Shanghai) Co., Ltd.	2016.1.1	No. 648, Fangta North Road, Songjiang	CNY5,192,000	Manufacturing and trading of electronic

Name of affiliated enterprise	Date of incorporation	Address	Paid-in capital	Principal business or products
		District, Shanghai		machinery and peripheral products
SOGOTEC	1990.10.6	No. 33, Jing Er Road, Taichung Export Processing Zone, Caonanli, Wuqi District, Taichung	NTD150,000,000	Manufacturing and trading of electronic machinery and peripheral products
Giben Holdings Co. Ltd (SAMOA)	2014.4.25	Chambers, P.O. Box 3269, Apia, Samoa	USD10,000	General Investment
Giben Holdings Co. Ltd (BVI)	2014.4.25	Palm Grove House, P.O. BOX 438, Road Town, Tortola, BVI	USD10,000	General Investment
Giben America, Inc	1992.4.1	3715 Northside Parkway, suite 350 100 Northcreek ATLANTA GA 30327	USD100	Trading of precision machinery and peripheral products.
Giben do Brasil Maquinas e Equipamentos Ltda	1995.10.11	RUA PAUL GARFUNKEL, 135 CIDADE INDUSTRIAL CEP 81460-040 CURITIBA PR	BRL4,658,296	Manufacturing and trading of precision machinery and peripheral products
A. Monforts Werkzeugmaschinen GmbH & Co. KG	2015.8.1	Schwalmstrasse 301 41238 Monchengladbach	EUR2,455,000	Processing of metal processing machine and metal parts
Chengdu Zhongde CNC machinery Co., Ltd.	2015.01.27	No. 384, 1F, Building No. 1, Xiling Blvd, Jinyuan Township, Dayi County, Chengdu, Sichuan.	CNY8,000,000	Manufacturing and trading of precision machinery and peripheral products
Willis Co., Ltd.	2015.10.14	4F, No. 88, Zhongshan North Road Section VI, Shilin District, Taipei	NTD 10,000,000	Import and export trade
MATEC GmbH	2017.3.1	Wilhelm-Maier-Straße 3, 73257 Köngen	EUR2,800,000	Processing of metal processing machine and metal parts

Exchange Rate with NTD on the statement date: CNY at 4.617; EUR at 33.90; USD at 32.25; BRL at 9.9612

3. With control and in dominant position as defined by the Company Act; No

4. Industries of the affiliates and the association among the affiliates

Industry	Name of affiliate	Association with other affiliates in operation
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Industry	Name of affiliate	Association with other affiliates in operation
Machine manufacturing	Anderson Group (Anderson)	Manufacturing and trading of precision machinery, electronic machinery and peripheral products, trading of board materials, and others.
	Zhongde Industrial (Shanghai) Co., Ltd.	Manufacturing and trading of precision machinery and electronic machinery and equipment
	Youde Machinery (Shanghai)Co., Ltd.	Manufacturing and trading of precision machinery
	Digital Photonics	Manufacturing and trading of optical instruments
	SOGOTEC	Manufacturing and sale of electronic machinery
	A. Monforts Werkzeugmaschinen GmbH & Co. KG	Processing of metal processing machine and metal parts
	MATECGmbH	Processing of metal processing machine and metal parts
	Giben do Brasil Maquinas e Equipamentos Ltda	Manufacturing and trading of precision machinery
	Chengdu Zhongde Co., Ltd.	Manufacturing and trading of precision machinery.
International trade	Anderson Industrial (Hong Kong) Limited	Selling of precision machinery and electronic machinery for Anderson Group
	Anderson Europe GmbH	Selling of precision machinery for Anderson Group, purchase of machinery, parts and components, and board materials for Anderson Group.
	Yu Deh Industrial Co., Ltd.	Wholesaling and Retailing of board materials
	Anderson USA	Selling precision machinery for Anderson Group
	Giben America, Inc	Selling precision machinery for Giben do

Industry	Name of affiliate	Association with other affiliates in operation
		Brasil Maquinas e Equipamentos Ltda
	SOTOTEC (Shanghai) Co., Ltd.	Sale of Electronic Machinery
	Willis Co., Ltd.	Import and Export Trade
General Investment	Sheng Deh Investment Co., Ltd.	An investee of Anderson Group
	Giben Holdings Co. Ltd (SAMOA)	An investee of Anderson Group
	Giben Holdings Co. Ltd (BVI)	An investee of Anderson Group

5. Profiles of the Directors, Supervisors, and managers of the affiliates

Base day: April 21, 2017

Name of enterprise	Title	Name or representative	Quantity of shareholding	
			Quantity (1,000 shares)	Proportion of shareholdings %
Anderson Group	Chairman	Johnny Liao	2,000	1.11%
	Director	Steve Sheng	451	0.25%
	Director	Lee Chang-Feng	6	0.00%
	Director	Hsu Shan-Ko	0	0.00%
	Director	Yun Yung Investment Co., Ltd.	20,000	11.11%
	Director	Ko Chang-Chu	10	0.01%
	Director	Wang Chan-Hsiung	0	0.00%
	Supervisor	Chu Yung-Ta	786	0.44%
	Supervisor	Lee Huei-Chin	565	0.31%
	General Manager and Representative of Yun Yung Investment, an Institutional Director	Simon Lin	794	0.44%
Anderson Industrial (Hong Kong) Limited	Director	Simon Lin (Note 1)	300	100.00%
	Director	Steve Sheng (Note 1)	300	100.00%
Anderson Europe GmbH	Director	Daphne Huang (Note 1)	Limited liability company in organization, not applicable.	100.00%
	Director and General Manager	Simon Lin (Note 1)	Limited liability company in organization, not applicable.	100.00%
Anderson America Corporation	Director	Simon Lin (Note 1)	1	100.00%
	General Manager	David Steranko	0	0.00%
Zhongde Industrial (Shanghai) Co., Ltd.	Chairman	Simon Lin (Note 1)	Limited liability company in organization, not applicable.	100.00%
	Director	Speed Lin (Note 1)	Limited liability company in organization, not applicable.	100.00%

Name of enterprise	Title	Name or representative	Quantity of shareholding	
			Quantity (1,000 shares)	Proportion of shareholdings %
	Director	Daphne Huang (Note 1)	Limited liability company in organization, not applicable.	100.00%
	General Manager	Speed Lin (Note 1)	Limited liability company in organization, not applicable.	100.00%
	Supervisor	Chu Yung-Ta (Note 1)	Limited liability company in organization, not applicable.	100.00%
Youde Machinery (Shanghai)Co., Ltd.	Chairman	Simon Lin (Note 1)	Limited liability company in organization, not applicable.	100.00%
	Director	Speed Lin (Note 1)	Limited liability company in organization, not applicable.	100.00%
	Director	Daphne Huang (Note 1)	Limited liability company in organization, not applicable.	100.00%
	General Manager	Speed Lin (Note 1)	Limited liability company in organization, not applicable.	100.00%
	Supervisor	Chu Yung-Ta (Note 1)	Limited liability company in organization, not applicable.	100.00%
Sheng Deh Investment Co., Ltd.	Chairman	Johnny Liao (Note 1)	22,000	100.00%
	Director	Wu Hsiu-Pi (Note 1)	22,000	100.00%
	Director	Daphne Huang (Note 1)	22,000	100.00%
	Supervisor	Chu Yung-Ta (Note 1)	22,000	100.00%
Yu Deh Industrial Co., Ltd.	Chairman	Johnny Liao (Note 1)	50,000	100.00%
	Director	Yang Chien-Ching (Note 1)	50,000	100.00%
	Director	Simon Lin (Note 1)	50,000	100.00%

Name of enterprise	Title	Name or representative	Quantity of shareholding	
			Quantity (1,000 shares)	Proportion of shareholdings %
	Supervisor	Daphne Huang (Note 1)	50,000	100.00%
SOGOTEC (Note 3)	Chairman	Johnny Liao (Note 2)	14,887	99.25%
	Director	Daphne Huang (Note 2)	14,887	99.25%
	Director and General Manager	Hou Chien-Fu (Note 2)	14,887	99.25%
	Director	Tommy Lee (Note 2)	14,887	99.25%
	Director	Simon Lin (Note 2)	14,887	99.25%
	Supervisor	Chu Yung-Ta	0	0.00%
	Supervisor	Lee Huei-Chin	0	0.00%
Giben Holdings Co. Ltd (SAMOA)	Director	Johnny Liao	Limited liability company in organization, not applicable.	0.00%
Giben Holdings Co. Ltd (BVI)	Director	Johnny Liao	Limited liability company in organization, not applicable.	0.00%
Giben America, Inc	Director	Simon Lin (Note 4)	Limited liability company in organization, not applicable.	100%
	Director	Tommy Lee (Note 4)	Limited liability company in organization, not applicable.	100%
	Director	Daphne Huang (Note 4)	Limited liability company in organization, not applicable.	100%
Chengdu Zhongde CNC machinery Co., Ltd.	Deputy Agent and Executive Director	Cheng Hsiang-Tsai	Limited liability company in organization, not applicable.	33.00%
	General Manager	Wu Po	Limited liability company in organization, not applicable.	33.00%
	Supervisor	Wang Su-Rong	Limited liability company in	33.00%

Name of enterprise	Title	Name or representative	Quantity of shareholding	
			Quantity (1,000 shares)	Proportion of shareholdings %
			organization, not applicable.	
Willis Co., Ltd.	Chairman	Johnny Liao (Note 2)	Limited liability company in organization, not applicable.	50.00%
	Director	Hsu Chao-Ching	Limited liability company in organization, not applicable.	50.00%
Monforts GmbH	Director	Heiko König(Note 5)	Limited liability company in organization, not applicable.	100%
	Director	Simon Lin (Note 5)		100%
	Director	Tommy Lee (Note 5)		100%
Matec GmbH	Director	Raymond Ward (Note 5)	Limited liability company in organization, not applicable	100%

(Note 1): The representative of Anderson Group

(Note 2): The representative of Sheng Deh Investment

(Note 3): SOGOTEC was incorporated on January 9 2015, and changed its corporate title as SOGOTEC Precision after registration for change.)

(Note 4): The representative of Giben Holdings Co. Ltd (SAMOA)

(Note 5): The representative of Anderson Europe GmbH

6. The operation outlook of the affiliates

Unit: NTD1,000; December 31 2016

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Revenue	Operating income	Earnings in current period	Earnings per share (NTD)
Anderson Industrial (Hong Kong) Limited	1,014	33,670	95	33,575	0	0	371	Not applicable
Anderson Europe GmbH	223,476	181,229	24,037	157,192	103,386	(678)	48,494	Not applicable
Anderson America Corporation	165,197	215,517	196,886	18,631	419,143	11,496	11,572	Not applicable
Zhongde Industrial Shanghai Co., Ltd.	264,167	516,278	110,974	405,304	442,447	11,794	27,281	Not applicable
SOGOTEC Shanghai	26,487	191,684	170,070	21,614	176,111	(3,276)	(2,476)	Not applicable
Sheng Deh Investment Co., Ltd.	220,000	202,890	910	201,980	4,424	(3,891)	(904)	-0.04
You Deh Machinery (Shanghai) Co., Ltd.	70,640	97,465	22,521	74,944	42,002	(21,477)	(22,634)	Not applicable
Yu Deh Industrial Co., Ltd.	50,000	393,452	296,451	97,001	700,923	26,616	15,967	3.19
SOGOTEC Co., Ltd.	150,000	784,603	528,651	255,952	647,798	35,623	13,367	0.89
Chengdu Zhongde CNC Machinery Co., Ltd.	40,264	36,428	3,543	32,885	12,620	(1,889)	(1,769)	Not applicable
Willis Co., Ltd.	20,000	24,142	6,687	17,455	11,457	(2,106)	(2,215)	Not applicable
Giben Holdings Co. Ltd (SAMOA)	146,642	189,364	218	189,146	45,703	31,254	51,446	Not applicable
Giben Holdings Co. Ltd (BVI)	361,517	284,624	0	284,624	0	(4,685)	(26,296)	Not applicable
Giben America, Inc	145,329	239,086	99,064	140,022	315,553	25,450	25,721	Not applicable
Giben do Brasil Maquinas e Equipamentos Ltda	362,227	178,103	82,171	95,932	114,047	(36,062)	(21,672)	Not applicable
A. Monforts Werkzeugmaschinen GmbH & Co. KG	125,006	475,687	351,478	124,209	400,356	49,067	41,677	Not applicable

(II) Consolidated Financial Statements of Affiliates

Declaration

According to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”, the affiliates for inclusion in the compilation of consolidated financial statements of the Company covering fiscal period of 2016 (January 1 2016 to December 31 2016) and the companies for inclusion in the compilation of financial statements of the parent and subsidiaries under IAS No. 27 recognized by the Financial Supervisory Commission are the same entities. In addition, disclosures of the affiliation between the aforementioned parent company and subsidiaries have been made in the consolidated financial statements of the Company and subsidiaries, which made it unnecessary to compile another consolidated financial statement among the affiliates.

Please be noted that

Name of company: Anderson Group

Deputy Agent: Johnny Liao

March 31 2017

(III)Affiliation Report: no

- II. Private placement of securities in the most recent year to the date this report was printed:**
no
- III. The holding or disposition of Company shares by subsidiaries in the most recent year to the date this report was printed: no**
- IV. Supplementary disclosures: no**

NINE. Matters that affected shareholders’ equity or stock price at significant level

The occurrence of events specified in Article 36, Paragraph 3, Section 2 of the Securities and Exchange Act in the most recent year to the date this report was printed, and the effect on shareholders’ equity or stock price: no.