力成科技股份有限公司
Powertech Technology Inc.

2018 ANNUAL REPORT

Powertech TECHNOLOGY

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Information available on
http：//mops.twse.com.tw
http：//www.pti.com.tw

I. Company Spokesman and Deputy Spokesman

Spokesman

Name: Evan Tseng

Title: CFO & Vice President

Tel: (886) 3 598-0300

E-mail: evant@pti.com.tw

Deputy Spokesman

Name: Yohan Lin

Title: Senior Director of Legal & Human Resources

Tel: (886) 3 598-0300

E-mail: yohan@pti.com.tw

II. Telephone Numbers and Addresses of Headquarters, Subsidiary, and Factory

Address of Headquarters: No.10 Datong Road, Hsinchu Industrial Park, Hukou, Hsinchu 30352, Taiwan

Address of 1st Plant: No.879,Litoushan Sec., Wunshan Rd., Hsinpu, Hsinchu 30550, Taiwan

Address of 2nd Plant: No.7 Sanmin Rd., Hsinchu Industrial Park, Hukou, Hsinchu 30352, Taiwan

Address of 3rd Plant: No.10, 26 Datong Road, Hsinchu Industrial Park, Hukou, Hsinchu 30352, Taiwan

Address of 9th Plant: No.4, Wen Hua Road, Hsinchu Industrial Park, Hukou, Hsinchu 30352, Taiwan

Tel: (886) 3 598-0300

Address of Science Park Plant I:No.15 Lihsin 3rd Rd., Hsinchu Science Park, Hsinchu 30078, Taiwan

Tel of Science Park Plant: (886) 3 577-9980

Address of Science Park Plant II:No.9 Lihsin 4th Rd., Hsinchu Science Park, Hsinchu 30078, Taiwan

Tel of Science Park Plant: (886) 3 579-5111

III. Stock Transfer Agent

Name: Concord Securities Co, Ltd. Stock Affairs Department

Address: B1 No. 176 Sec. 1, Keelung Rd., Taipei City, Taiwan

Website: http://www.concords.com.tw

Tel: 886-2-8787-1888

IV. CPA for Annual Financial Statements

CPAs: Yu-Feng Huang, Su-Li Fang

Accounting Firm: Deloitte & Touche LLP

Address: 12F, No 156, Minsheng East Road, Sec 3, Taipei, Taiwan

Website: http://www.deloitte.com.tw

Tel: (886) 2 2545-9988

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Website: http://www.bourse.lu

ISIN NO. US7393681082

VI. Company website: http://www.pti.com.tw

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I. Letter to Shareholders

Annual General Meeting of Shareholders 2018

Dear Shareholders, Ladies and Gentlemen,

2017 mark the 20th Corporate Anniversary of Powertech Technology Inc. It was also a year of great achievement and rewards. Working together as a team, PTI continued to live up to expectations and grew momentum. In addition, PTI has expanded its market share of Japanese customers for Internet of Things (IoT) and automotive markets. PTI achieved outstanding performance both in overall revenue and profitability by providing new and existing customers outstanding services and versatile marketing strategy.

In addition to PTI's excellent financial results, PTI continued to emphasize our commitment in effective corporate governance and corporate social responsibility. Through concrete actions PTI continue to fulfill its obligation to all related parties and corporate social responsibilities, while striving to implement the sustainable development goals set forth by the United Nations. PTI efforts have already produced tangible results. In 2017, PTI was ranked among Top 100 Large Enterprise for excellence in corporate social responsibility by Taiwan Commonwealth Magazine. PTI was also awarded Gold Medal in Top 50 Corporate Sustainability Report Awards by Taiwan Corporate Sustainability Awards authorities in 2017. Furthermore, PTI was named the Top 100 Global Technology Leaders by Thomson Reuters at the beginning of 2018

Looking to the future, PTI will continue to move forward with the management philosophy of strategic alliance, solid growth, and sustainable development with corporate core value of promise, technology, and integration. Under exceptional leadership of the President and management team, PTI will continue to make every effort to excel and achieve greater aspirations, as well as strive to fulfill its responsibilities and obligations as global citizens while creating maximum profit for its shareholders.

I hope you, as our shareholders, will continue to lend PTI your supports. All members of PTI will continue to unite our effort as PTI moves forwards to next rewarding 20 years.

Thank you again for all your support.

We wish you all the very best.

Sincerely,
D.K. Tsai

PTI Chairman & CEO

Powertech Technology Inc. 2017 Business Report

I. 2017 Business Operations Report

Overall in 2017, strong economic growth and business profitability in emerging markets were supported by global economic recovery, structural reform in emerging economies, as well as fiscal and monetary policy stimulation. Growth remained strong despite uncertainties from geo-political tension between China, US and North Korea, Presidential elections in Germany, France and Holland, Catalonian Independence referendum, Interest rate hikes by US FED, US economic protectionism under Trump government and withdrawal from Paris Agreement and Brexit.

According to the World Economic Outlook published by the International Monetary Fund (IMF) in January 2018, global economic growth in 2017 was 3.7%, showing 0.5% increase from 2016. Economic growth in Developed countries was 2.3%. Economic growth in emerging markets and developing countries was 4.7%, led by China (6.8%) and India (6.7%).

Powered by continuous development in technologies and innovations in new electronic products, demand in global semiconductor market continues to increase and grow in a comprehensive scale lead by memory products. Both DRAM and Flash demonstrated excellent growth in volume and price in 2017. According to report published by WSTS in January 2018, total sales revenue of global semiconductor grew by 21.6% from 2016 to reach US$412.2 billion. On the other hand, Taiwanese semiconductor companies no longer play a leading role in DRAM manufacturing. After acquisition by Micron Technology Inc, revenues and capacity contribution from Inotera Memories Inc is no longer included in Taiwanese semiconductor Industry. In the meantime IC design industry in China demonstrated impressive growth with GAGR at 27.5% over the past 5 years. Some Chinese IC design companies have overtaken Taiwanese IC design companies in scale while competing directly in technology and production. Taiwanese semiconductor companies underperformed in comparison to global industry average due to factors including high historical base and unfavorable circumstances. According to data published by Industrial Economics and Knowledge (IEK) in Feb 2018, Taiwan IC industry revenue in 2017 was NT$2.46 trillion (US$81 billion) showing only 0.5% growth from 2016. Revenue of IC packaging sector was NT$333.0 billion showing 2.8% growth from 2016 while revenue of IC testing sector was NT$144.0 billion showing 2.9% growth from 2016.

PTI outperformed global and domestic IC packaging and testing industry in 2017 with large scale increase in demands for high performance applications and high capacity memory storage for data centers. Our revenue and profit margin in 2017 grew significantly from that of 2016, achieving and out-performing our financial targets. 2017 revenue and profit margin improved significantly from 2016 and outperform our financial targets. In 2107, PTI will continue to invest in technology to provide excellent quality and services. PTI will also continue to improve its competitiveness by increasing operational efficiency, cost control, investment in new equipment, technology and product through integration of corporate resources while strengthening strategic partnership. PTI 2017 accomplishment contributed from its excellent quality and services, operations efficiency improvement, efficient cost control, new technologies and products development, equipment investment, and strategic alliance strengthening.

Details of 2017 revenue and profitability are reported as follow:

1. Operational Results of 2017

Consolidated revenue of 2017 was NT$59.63 billion, showing 23.4% increase from 2016 consolidated revenue of NT$48.34 billion. 2017 net income belonged to parent company was NT$5.85 billion which was an increase of 21.0% from 2016 NT$4.84 billion.

2.Financial Status

2017 Consolidated Statement of Cash Flow	(in NT$1,000)
a. Net cash inflow from operating activities	17,677,440
b. Net cash outflow from investing activities (Changes mainly from acquisition of machinery and equipment)	18,840,391
c. Net cash outflow from financing activities (Mainly for repayment of bank loans and distribution of cash dividends)	3,448,709

3.Profitability Analysis

Analysis Items		2017	2016
Profitability	Operating Income / Capital Ratio	116.46%	97.96%
	Pre-tax Net Income / Capital Ratio	114.06%	93.22%
	Return on Assets	8.34%	8.06%
	Return on Equity	15.51%	13.93%
	Net Income (Loss) Ratio	9.81%	10.00%
	Net Income(Loss) Per Share	$7.51	$6.20

4.R&D Updates

PTI has been consistently in to technological innovations and development of new production technologies to meet industry standards and customer demands. In addition to DRAM and NAND Flash products, PTI also continue to develop Logic and advanced packaging and testing technologies, such as Lead-Free Bump, Cupper Pillar Bump, Flip Chip, low cost molded substrate FCCSP, WLCSP, and RDL providing PTI foundation for developing advanced Logic customers. 2017 R&D expenses were about NT$1.72 billion, equivalent to 2.9% of consolidated revenue. PTI will actively invest in the research and development of TMV PoP, CIS CSP (TSV), 3D IC (TSV), panel-level fan-out, as well as advanced packaging and testing technologies while striving to become a major service providers for Logic devices, System-in-Package (SiP), and Internet of Things (IOT) , High Performance Computing (HPC), networking, AI, AR/VR, and automotive products.

II.2018 Operations Plans

1. Plan Outlines:

(1)Promise, Technology and Integration are our core values.

(2)Focus on the packaging and testing sectors in semiconductor industry and generate mutual profits with our customers and vendors.

(3)Commitment in the research and development of advanced technologies and launch new products to enhance our growth momentum.

(4)Providing comprehensive services to customers with reliable quality and excellent workmanship.

(5)Enhance operational performances and ensure corporate profitability and sustainability through Integration of corporate resources

(6)Creating mutual benefit through developing employee talent and emphasis in employment benefits and shareholder interest

2. Sales Volume Forecast:

Based on latest estimation published by Gartner, overall revenue for 2018 global semiconductor forecasted to be US$ 427 billion with growth rate of 4.0%. WSTS estimated 7.1% growth for 2018 Taiwan semiconductor industry, and 4.4% growth for packaging and testing sector. Growth for 2018 is forecasted to be powered by smart phones, Solid State Drives (SSD), automotive applications, ultra slim note books, industrial applications, wearable devices, AI, and IoT related applications.

Gartner reported 19.5% growth in overall global Semiconductor Market revenue from 2016 mainly contribute by growth in Memory market (USD 126.2 billion) at 57.3% Due to increase in Average Sales Price (ASP), DRAM market (USD 69 billion) grew by 67.2%. NAND Flash market (USD 53billion) also grew by 51.1%. Remaining Semiconductor market excluding memory production grew by only 8.2%. Majority of demand for memory product continues to come from computing (server, PC and tablet) and communication (smart phone)

Global semiconductor demands for mobile phone in 2018 is estimated to grow by 5.9% while demand in PC market is forecasted to decline by 2.8% after inventory adjustment throughout 2017.LED TV market is estimated to grow by 1.8%. Growth in Electronic products excluding smart phone is anticipated to decelerate and even decline Bloom in AI and IoT in 2018 is expected to drive the accelerated growth in demand data processing applications. China has the biggest market for semiconductor products. Chinese government has been actively promoting localized semiconductor production and its local production is expected to reach NT$ 3 trillion by 2020. On the other hand while India and Southeast Asian countries were expected to drive global economic growth, demand for mobile devises is hindered by its low income per capita and poor communication infrastructure. .

PTI expects significant growth in DRAM, NAND Flash, and Logic in 2018. Sales volumes are forecasted as below:

2018 Sales Volume Forecast:

Item	Sales Volume Forecast
Assembly	11.5b packages
Final Test	7.5b packages
Bumping	900,000 wafers
Chip Probing	2,450,000 wafers
SSD + SIP	61m pcs

3. Production and Marketing Policies:

(1)Provide turn-key and drop-ship services to customers to reduce cycle time and transportation costs.

(2)Increase revenue from Commodity DRAM, Mobile DRAM, NAND Flash and Logic products.

(3)Continue developing Logic business and accelerate development in advance technologies including Flip-Chip, SSD, wafer level packaging, CP, and panel-level fan-out to generate business growth.

(4)Develop new customers, new markets and new products while maintaining long-term cooperation with existing customers.

(5)Continue to improve our competitiveness through cost reduction and utilization of corporate resources.

Chairman: D.K. Tsai

President: J.Y. Hung

CFO: Evan Tseng

II. Company Introduction

I. Date Established: May 15, 1997

II. Company History

1997	May	--	Powertech Technology Inc. established, with paid-in Capital of NT$ 600 million.
	Aug	--	Received Powerchip's DRAM and Macronix's FLASH testing order and started memory IC testing services.
1998	Feb	--	Received Securities and Futures Commission, Ministry of Finance approval for public offering.
		--	Started construction for PTI's Hsinpu Plant.
	March	--	Cash Injection of NT$ 600 million, Paid-in Capital of NT$ 1.2 billion.
	May	--	Passed ISO 9002 Quality Management System Certification (Testing).
1999	Jan	--	Mr. Duh Kung Tsai from the Kingston Group joined as Chairman.
	May	--	Cash injection of NT$ 800 million, Paid-in Capital of NT$ 2.0 billion.
	June	--	Stage One of PTI Hsinpu Plant completed, rented to Powerchip's Chubei Branch.
	Aug	--	Construction started on Stage two of PTI Hsinpu Plant.
		--	Received testing order from Toshiba for DRAM and SST for Flash.
2000	April	--	Report prepared for the Taiwan Stock Exchange and GreTai Securities Market, started to receive guidance for listing on TSE and OTC.
	June	--	PTI Hsinpu Plant completed and relocated to new plant.
	Oct	--	Purchase backend equipment from Powerchip's Chubei Branch and added packaging business. Then obtained Powerchip's DRAM packaging orders and started to provide customers turnkey packaging and testing services.
2001	Jan	--	Become listed as bonded factory.
	April	--	Received quality certification from Mitsubishi.
	May	--	Received ISO 9002：1994 Quality Management System Certification (Packaging, Testing).
	Aug	--	Surplus and Capital Reserve Capital Increase of NT$ 218 million, Paid-in Capital of NT$ 2.218 billion.
2002	Jan	--	Received quality certification from Hitachi.
	March	--	Received quality certification of testing and packaging from TOSHIBA.
		--	Received TOSHIBA FLASH packaging and testing orders, provide turnkey services for TOSHIBA packaging and testing.
	June	--	Passed quality certification from Sun Microsystems.
	Sept	--	Cash Injection of NT$ 119 million, Surplus Capital Increase of NT$ 134.229 million, Paid-in Capital of NT$ 2.463129 billion.
		--	Purchased Hukuo Plant's Land and Plant of FICTA.
	Oct	--	Company Shares listed for trading as Emerging Stock of Gretai Securities

Market.

Nov -- Received quality certification from M-Systems and Sankyo.

2003 Jan -- Received ISO 14001:1996 Environmental Management Systems Certification.

March -- Received quality certification from Sony.

April -- Company Shares listed for trading on Gretai Securities Market.

-- Company headquarters moved to Hukuo Plant in Hsinchu Industrial Park .

-- Received quality certification from ProMos.

May -- Received quality certification from IBM.

July -- Received quality certification from Hynix and received Hynix orders.

-- Formally received ProMos orders.

Aug -- Received ISO 9002：2000 Quality Management System Certification

Sept -- Surplus Capital Increase of NT$ 149.371 million, Paid-in Capital of NT$ 2.6125 billion.

Dec -- Received quality certification from Xanavi.

2004 Jan -- WBGA packaging formally into volume production.

April -- Received land from the Hukuo Industrial Park about 3000 pings, for expansion of future operations.

-- Received quality certification from Renesas.

July -- DDR2 formally into volume production.

Sept -- Cash Injection of NT$ 300 million, Surplus Capital Increase of NT$ 467.5 million, Paid-in Capital of NT$ 3.38 billion.

-- Received OHSAS 18001： 1999 Occupational Health and Safety Management certification.

-- Started construction on Plant 3.

Oct -- Received quality certification from Elpida.

Nov -- Company Shares listed for trading on the Taiwan Stock Exchange.

-- Foundry grade testing formally into mass production.

2005 Feb -- Implemented Green Product (GP) Management System.

March -- Received quality certification from IBM (uBGA).

-- Received quality certification from Sharp.

May -- Received quality certification from Sony Green Partner.

Sept -- Surplus Capital Increase of NT$ 625 million, Paid-in Capital of NT$ 4.005 billion.

-- Tera Probe, Inc., a joint venture formed in Japan with Elpida, Advantest and Kingston Technology Japan.

Dec -- Use the “Purchase Method” for simplified merger of 100% owned company, Lijia Investment Ltd.

-- MCP packaging process into volume production.

-- Started production of MicroSD Card.

-- Received ISO 14001： 2004 Environmental Management System Certification.

2006 Jan -- R&D Technology Center Established.

-- Headquarters (Plant 3) completed for use.

-- First time issuance of Global Depository Receipts (old shares), listed for trading on the Bourse de Luxembourg.

Aug -- Surplus Capital Increase of NT$ 750 million, Paid-in Capital of NT$ 4.711 billion.

-- Received ISO/TS 16949：2002 Certification.

Nov -- Received land from the Hukuo Industrial Park about 1089 pings, for expansion of future operations.

Dec -- Received the “2006 Industrial Innovation Outcome Commendation” from the Ministry of Economic Affairs Department of Industrial Technology (MOEA DOIT).

2007 Feb -- Started construction of Hukuo Plant 2B

March -- Issued for the first time the private placement domestic unsecured convertible bonds, with amount issued of NT$ 3.412 billion.

July -- Successful developed the wBGA DDP technology, providing the best DRAM stacking solution.

Aug -- Surplus Capital Increase of NT$ 853 million, Paid-in Capital of NT$ 5.563 billion.

-- Monthly Revenue exceed NT$ 2 billion formally, packaged volume exceeding 100 million chips.

-- Received the “2006 Golden Commerce Award” from the MOEA Bureau of Foreign Trade (BFT) for Being Tenth in Actual Import/Export.

Nov -- Received the “Eight Industrial Elite Award” from the MOEA BFT.

2008 Jan -- Hukuo Plant 2B completed for operation.

March -- Started to provide packaging services for Logic IC.

June -- Received license from IBM for Metal Post Solder-Chip Connection (MPS-C2) technology. This is a key technology for fine-pitch Flip Chip packaging.

Aug -- Surplus Capital Increase of NT$ 7.45 million, Paid-in Capital of NT$ 6.694 billion.

-- Formed joint venture, TeraPower Technology Inc, with Japanese company Tera Probe, Inc, with paid-in capital of NT$ 750 million, and our company holding 49% of the JV.

Sept -- Received the “2007 Golden Commerce Award” from the MOEA Bureau of Foreign Trade (BFT) for Being Ninth in Actual Import/Export.

Nov -- Received land from the Hukuo Industrial Park about 5,953 pings, for expansion of future operations.

2009 July -- Surplus Capital Increase of NT$ 386 million, Paid-in Capital of NT$ 6.694 billion.

Aug -- Received the “2008 Golden Commerce Award” from the MOEA Bureau of Foreign Trade (BFT) for Being Fifth in Actual Import/Export.

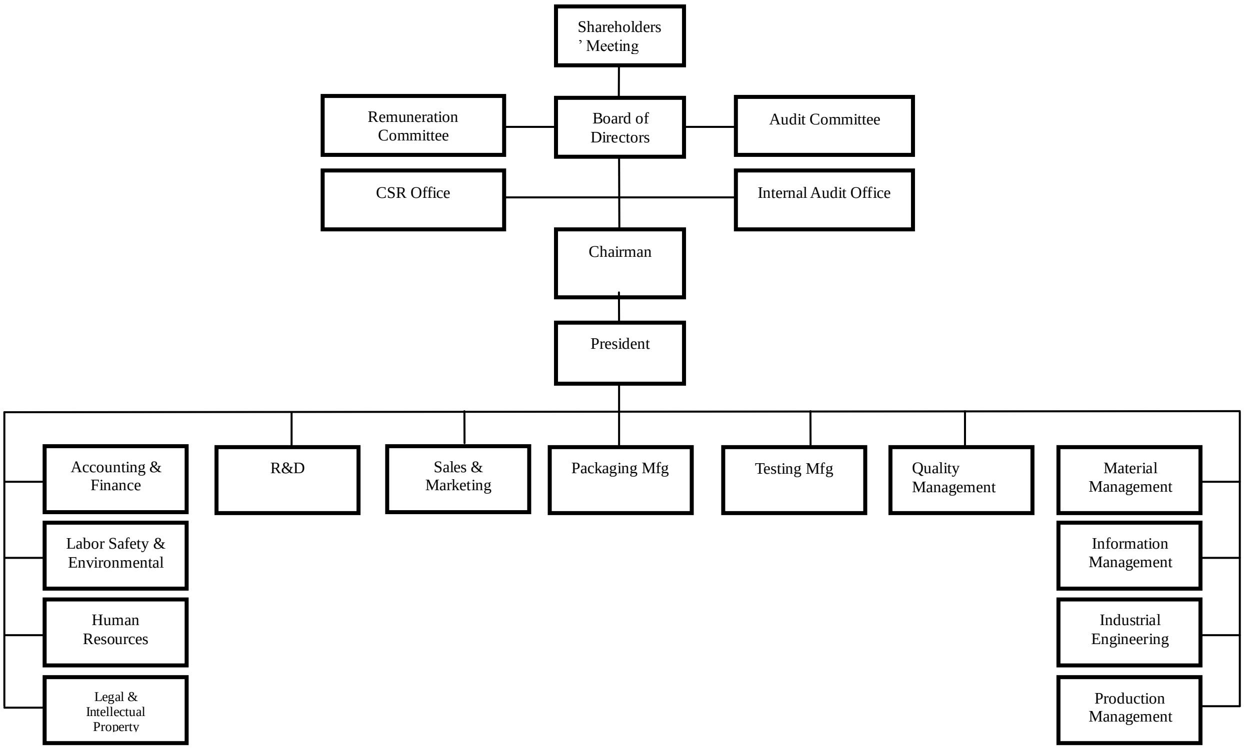
-- Formed overseas subsidiary Powertech Holding(B.V.I.) Inc.

	Sept	--	Acquired Spansion Holdings (Singapore) Pte. Ltd. (name changed to PTI Technology (Singapore) Pte. Ltd.) through Powertech Holding(B.V.I.) Inc., and indirectly obtaining Spansion's MCP packaging and testing plant in Suzhou, China. The China plant was renamed Powertech Technology (Suzhou) Ltd., and the Company formally entered China as a packaging and testing company.
2010	March	--	Formed subsidiary in the Hsinchu Science Park, Macrotech Technology Inc.
		--	Established US subsidiary Powertech Technology (USA), Inc through overseas subsidiary Powertech Holding (B.V.I.) Inc. to serve as overseas sales and service center.
	April	--	Paid-in capital increased to NT$ 7,042,366,680 after conversion into common shares by convertible bonds .
	Sept	--	Paid-in capital increased to NT$ 7,153,668,040 after conversion into common shares by convertible bonds .
		--	Received the "2009 Golden Commerce Award" from the MOEA Bureau of Foreign Trade (BFT) for Being Fifth in Actual Import/Export.
		--	Received the "Outstanding Innovation Company Award" portion of the 18th Industry Technology Development Award from the MOEA DOIT.
	Dec	--	Paid-in capital increased to NT$ 7,264,969,400 after conversion into common shares by convertible bonds.
2011	May	--	New Plant in Hukuo started construction.
	Aug	--	Surplus Capital Increase of NT$ 7,264,969,400. Paid-in Capital of NT$ 7,991,466,340.
		--	Received the "Creating Employment Contribution Award" from the Executive Yuan.
	Sept	--	Received the "2010 Golden Commerce Award" from the MOEA Bureau of Foreign Trade (BFT) for Being Sixth in Actual Import/Export.
	Dec	--	Established Remuneration Committee.
2012	Feb	--	Acquired 44% of Greatek Electronics through public tender offer.
	Apr	--	During re-election at the extraordinary shareholders' meeting, PTI formally become part of the Greatek Electronics' management.
		--	Institutional director Shiren Investment Company sold more than 50% of company shares owned when it was elected director, so naturally dismissed as company director.
	Aug	--	Purchased of company's treasury stocks for the first time, with a capital reduction of NT$ 200 million, Paid in Capital reduced to NT$ 7,791,466,340.
	Dec	--	For effective use of company resources and tax considerations, liquidated US subsidiary Powertech Technology USA Inc.
2013	Jul	--	Elpdia Memory Inc. acquired by Micron Technology Inc. and changed the trading entity to Micron Japan.

	Sep	-- Received 2012 Golden Trade Award for 10th place.
	Nov	-- Grand Opening for plant 3C, and relocated HQ to the new plant.
2014	Feb	-- Legal settlement reached with Tessera Inc. to early terminate product license agreement which help reducing future services costs.
	Jul	-- Acquired 100% shares of Nepes Pte. Ltd. Singapore and changed name to Powertech Technology (Singapore) Pte. Ltd.
	Dec	-- Signed investment agreements with Micron Inc. for providing package services in Xian, China.
		-- Merged Macrotech Technology Inc. and established Hsinchu Science Park branch on the site.
2015	Apr	-- Became a member of Electronic Industry Citizenship Coalition (EICC).
	May	-- Established Powertech Semiconductor (Xian) Co., Ltd.
	Oct	-- Signed strategic alliance agreement with Tsinghua Unigroup through private placement.
2016	Apr	-- Received 2015 Golden Trade Award for 4th place.
	Nov	-- Received 2016 Taiwan Top 50 Corporate Sustainability Report Golden Award in Electronic Information Category.
		-- Certified for ISO 27001 Data Security Management System.
	Dec	-- Certified for SA8000 Social Responsibility Management System.
2017	Jan	-- Established Powertech Technology Japan Ltd.
		-- Mutual agreement among Powertech Technology Inc. and Tsianghua Unigroup Co., Ltd., and Tibet TouZhanChaungXin Investment Co., Ltd. authorized to terminate share subscription agreement.
		-- Became a member of Taiwan Alliance for Sustainable Supply and participate in Taiwan packaging and testing industry eco-cloud development program.
	Apr	-- Contracted with Micron Inc to acquire its 39.6% holding of Tera Probe, Inc. shares by public tender offer and 100% Micron Akita Inc. operations.
	Jun	-- Tera Probe, Inc. became a PTI subsidiary after completed acquisition of Tera Probe, Inc. with 59.44% consolidated holding.
	Aug	-- Completed the acquisition of 100% Micron Akita Inc. and name changed to Powertech Technology Akita Inc.
	Nov	-- Received 2017 Taiwan Top 50 Corporate Sustainability Report Golden Award in Electronic Information Category.
2018	Jan	-- Named Top 100 Global Technology Leader by Thomson Reuters.

III. Corporate Governance

1. Company Organization



Responsibilities of Major Sections：

Major Section	Responsibilities
Chairman	Leading corporate strategies and objectives. Execute and monitor for continuing improvement.
President	Management of corporate strategies, objectives, execution of overall business and operations.
CSR Office	Responsible for corporate social responsibility regulation and execution. Risk management and emergency handling.
Internal Audit Office	Responsible for reviewing and assessing the effectiveness of the implementation of the Company’s internal control system.
Accounting & Finance	Responsible for finance, accounting and shareholder services.
Labor Safety & Environmental Protection	Responsible for factory safety and labor’s occupational health and hazard.
Human Resources	Responsible for Human Resources regulation creation and execution. Employee welfares and relationships.
Legal & Intellectual Property	Responsible for contract review, legal matters, and intellectual property management.
Research & Development	Responsible for development of new products.
Sales & Marketing	Responsible for market survey, development, and customer contact and coordination.
Packaging Manufacturing	Responsible for product packaging production and related process analysis, equipment maintenance.
Testing Manufacturing	Responsible for the production and related product testing process analysis, equipment maintenance.
Quality Management	Responsible for quality management policies, the design and implementation of quality indicators, customer complaints, reliability testing and equipment calibration.
Materials Management	Responsible for production scheduling, raw material procurement, warehousing and transportation management.
Information Management	Responsible for setting up and maintaining the information system.
Industrial Engineering	Responsible for facility layout planning and efficiency enhancement.
Production Management	Responsible for production capacity planning and scheduling.

2. Board of Directors, Independent Directors, CEO, Vice Presidents, Assistant Vice Presidents, Head of Each Department and Subsidiaries

(1) Information Regarding Board of Directors and Independent Directors

Information Regarding Directors and Independent Directors (I)

Apr 10, 2018

Title	Name	Nationality	Date On-Board	Gender	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Directors or Independent Directors Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
							Shareholding	%	Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation

Title	Name	Nationality	Date On-Board	Gender	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Directors or Independent Directors Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
							Shareholding	%	Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Chairman	D.K. Tsai	Republic of China	5/26/2017	Male	3 years	6/23/1999	4,010,000	0.51%	4,010,000	0.51%	-	0.00%	-	0.00%	Industrial Engineering, Taipei Institute of Technology General Manager, Kingston Technology Far East Corp. Chairman, Kingston Technology Far East Corp.	CEO of Powertech Technology Inc. Chairman of Greatek Electronics Inc. Director of Powertech Holding (B.V.I.) Inc. Director of PTI Technology (Singapore) Pte. Ltd. Director of Powertech Technology (Singapore) Pte. Ltd. Legal Representative Director of PTI (Suzhou) Ltd. Executive Director of Powertech Technology Japan Ltd. Director of Tera Probe, Inc. Director of Powertech Technology Akita Inc. Independent Director of Wistron Corp. Independent Director of Compal Electronics, Inc. Independent Director of Chicony Power Technology Co., Ltd.	-	-	-

Title	Name	Nationality	Date On-Board	Gender	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Directors or Independent Directors Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
							Shareholding	%	Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Director	J.Y. Hung	Republic of China	5/26/2017	Male	3 years	5/26/2017	2210,000	0.03%	205,000	0.03%	-	0.00%	-	0.00%	Master, Industrial and Information Management, National Cheng Kung University, Sr. VP, Siliconware Precision Industries Co. Ltd., President, Powertech Technology Inc.	President, Powertech Technology Inc. Director of PTI Technology (Singapore) Pte. Ltd. Director of Powertech Technology (Singapore) Pte. Ltd. Legal Representative Director of Powertech Technology (Suzhou) Ltd. Legal Representative Director of Powertech Semiconductor (Xi'an) Co., Ltd.			
Director	Kingston Technology Corp. Investment Account Rep：Shigeo Koguchi	U.S.A.	5/26/2017	Male	3 years	5/26/2017	29,875,000 0	3.83% 0.00%	29,875,000 0	3.83% 0.00%	- 0	- 0.00%	- 0	- 0.00%	Master, Engineering, University of Florida Master, Engineering, Hokkaido University, Japan Sr. Executive VP., Toshiba Corp. Director, Toshiba Corp.	None	-	-	-

Title	Name	Nationality	Date On-Board	Gender	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Directors or Independent Directors Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
							Shareholding	%	Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Director	Kingston Technology Corp. Investment Account Rep：Daphne Wu	U.S.A	5/26/2017	Female	3 years	5/26/2017	29,875,000 0	3.83% 0.00%	29,875,000 0	3.83% 0.00%	- 0	- 0.00%	- 0	- 0.00%	Bachelor, Accountancy, National Chengchi University Director of Asia Pac Finance of Kingston Technology Far East Corp.	Director of Asia Pac Finance of Kingston Technology Far East Corp. Supervisor of Kingston Solution Inc. Supervisor of Panram Co., Ltd. Supervisor of Orient Semiconductor Electronics Ltd.	-	-	-
Director	Kingston Technology Corp. Investment Account Rep：J.S. Leu	Republic of China	5/26/2017	Male	3 years	5/26/2017	29,875,000 146,356	3.83% 0.02%	29,875,000 137,356	3.83% 0.02%	- 0	- 0.00%	- 0	- 0.00%	Bachelor, Mechanical Engineering, Feng Chia University Deputy Director, Packaging Manufacturing, Powerchip Technology Corp.	Chairman of Powertech Technology (Suzhou) Ltd. Chairman of Powertech Semiconductor (Xian) Co., Ltd Sr. VP of Powertech Technology Inc. Packaging Operations Legal Representative Director of Greatek Electronics Inc.	-	-	-

Title	Name	Nationality	Date On-Board	Gender	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Directors or Independent Directors Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
							Shareholding	%	Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Director	Kingston Technology Corp Investment Account Rep：Evan Tseng	U.S.A	5/26/2017	Male	3 years	5/26/2017	29,875,000 12,000	3.83% 0.00%	29,875,000 12,000	3.83% 0.00%	- 0	- 0.00%	- 0	- 0.00%	Master, Accountancy, Soochow University Sr. AVP, Systex Corp.	CFO & VP, Powertech Technology Inc. Director of Powertech Technology (Singapore) Pte. Ltd Legal Representative Supervisor of Powertech Technology (Suzhou) Pte. Ltd. Legal Representative Director of Powertech Semiconductor (Xi'an) Co., Ltd. Director of Tera Probe, Inc. Legal Representative Director of TeraPower Technology Inc. Director of Powertech Technology Akita Inc. Director of Tsai Lin Pu Social Welfare Foundation	-	-	-
Director	Toshiba Memory Semiconductor Taiwan Corp. Rep：Tohru Yoshida	Republic of China	5/26/2017	Male	3 years	6/14/2005	3,655,309 0	0.47% 0.00%	3,655,309 0	0.47% 0.00%	- 0	- 0.00%	- 0	- 0.00%	Bachelor, Engineering, Sophia University, Japan Counselor, Reliability Technology Dept. Memory Business Group, Toshiba Corp.	Chairman of Toshiba Memory Semiconductor Taiwan Corp.			

Title	Name	Nationality	Date On-Board	Gender	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Directors or Independent Directors Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
							Shareholding	%	Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Independent Director	Jim W.L. Cheng	Republic of China	5/26/2017	Male	3 years	6/13/2008	331,614	0.04%	331,614	0.04%	0	0.00%	0	0.00%	Bachelor, Business Administration, Fu-Jen Catholic University Vice President of Finance, Yungtay Engineering Co., Ltd. President, Taiwan Calsonic Co. Ltd.	Chairman of Taiwan Calsonic Co. Ltd. Chairman of Yong Lien Corp. Chairman of Glory Biotech Co. Ltd. Director of Browave Corp. Director of Center Laboratories Inc. Legal Representative Director of Lumosa Therapeutics Co. Ltd. Legal Representative Director of Yu-Cheng Consulting Co. Ltd. Legal Representative Director of Yu-Cheng Biotech Co. Ltd. Legal Representative Director of Uni-Calsonic Co., Ltd.. Institutional Director Rep. of Chuang-Yi Biotech Co., Ltd.. Legal Representative Director of Galc Biotech Co., Ltd.. Supervisor, Yungtay Engineering Co., Ltd. Director of Polstar Technologies Inc. Institutional Supervisor Rep. of TPG biologics Inc. Legal Representative Director of Yu Sheng Venture Capital Company Institutional Supervisor Rep. of Mycenax Biotech Inc.	-	-	-

Title	Name	Nationality	Date On-Board	Gender	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Directors or Independent Directors Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
							Shareholding	%	Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Independent Director	Quincy Lin	Republic of China	5/26/2017	Male	3 years	6/20/2002	0	0.00%	0	0.00%	0	0.00%	0	0.00%-	Ph.D., Business Administration, University of Kentucky MBA, National Chiao Tung University Sr. VP., Taiwan Semiconductor Manufacturing Company Chairman of Neo Solar Power Corp.	Chairman of General Energy Solutions Inc. Chairman of V5 Technologies Inc. Chairman of Rafael Micron Inc. Chairman of Neo Solar Power Corp. Independent Director of Chroma ATE Inc.	-	-	-
Independent Director	Philip Wei	Republic of China	5/26/2017	Male	3 years	5/26/2017	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Master, Finance, National Cheng Chi University Bachelor, Transportation Study, National Cheng Kung University Chairman, China Airline Inc.	Chairman of Fortune Information System Corp. Director of CyberSoft Digital Service Corp. Legal Representative Director of China Electronics Corp. Supervisor, Tai Hsin Insurance Agency Non-Profit Organization	-	-	-
Independent Director	Pei-Ing Lee	Republic of China	5/26/2017	Male	3 years	5/26/2017	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph. D, Syracuse University Chairman of Inotera Memories, Inc.	Director & President of Nanya Technology Corp.	-	-	-

Note: Elected all new Directors and Independent directors during 2017 Annual General Meeting. Additional one Director and additional one Independent director were elected in 2017. Existing shareholders KTC-TU Corporation and KTC-SUN Corporation were retired after the election in 2017.

For Directors or Committee Members that are representatives of Institutional Shareholders, the main shareholders of the Institutional Shareholders (the Top Ten Shareholders)

March 31, 2018

Name of Institutional Shareholder	Main Shareholders of the Institutional Shareholders
Kingston Technology Corporation Investment Account	John Tu (50%), David Sun (50%)
Toshiba Memory Semiconductor Taiwan Corp.	Toshiba Memory Corporation (100%)

The main shareholders of the Institutional Shareholders in Table above whose main shareholders are Institutional Shareholders:

March 31, 2018

Name of Institution	Main Shareholders of the Institution
Toshiba Memory Corporation	Toshiba Corporation (100%)

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Information Regarding Board of Directors (II)

Apr 30, 2018

Criteria / Name	Meet One of the Following Professional Qualification Requirements, together with at least five years of work experiences			Conform to Independent Status (Note 1)										Number of Other Taiwan Public Companies Concurrently Serving as an Independence Status
	An instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Dept related to the Business Needs of the Company in a public or private Junior College, College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who has passed a National Examination and been Awarded a certificate in a Profession necessary for the Business of the Company	Have work Experience in the area of Commerce, Law, Finance, Accounting, or Otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
D.K. Tsai			✓				✓	✓	✓	✓	✓	✓	✓	Independent Directors of Compal Communications, Wistron, Compal Electronics and Chicony
J.Y. Hung			✓			✓	✓	✓	✓	✓	✓	✓	✓	
Kingston Technology Corporation Rep.：Shigeo Koguchi			✓	✓			✓	✓	✓	✓	✓	✓	✓	
Kingston Technology Corporation Rep.:Daphne Wu			✓	✓			✓		✓	✓	✓	✓	✓	
Kingston Technology Corporation Rep.：J.S. Leu			✓				✓	✓	✓	✓	✓	✓	✓	
Kingston Technology Corporation Rep.: Evan Tseng			✓				✓	✓	✓	✓	✓	✓	✓	
Toshiba Semiconductors Taiwan Corp. Rep.: Tohru Yoshida			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Jim W.L. Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Quincy Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Independent Director of Chroma ATE Inc.
Philip Wei			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Pei-Ing Le			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Note 1: Board of Directors and Independent Directors during the two years before being elected or during the term of office, meet any of the following

conditions, please tick the appropriate corresponding boxes:

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

(2) Not a director or independent director of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. However, this does not include member of the remuneration committee acting of behalf of Article 7 based on the shares being publicly listed and trading at a commercial brokerage.

(8) Not having a marital relationship, or a relative within the second degree of kinship of any other director of the Company.

(9) Not been a person of any conditions defined by Article 30 of the Company Law.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Note 2: Elected all new Directors and Independent directors during 2017 Annual General Meeting. Additional one Director and additional one Independent director were elected in 2017. Existing shareholders KTC-TU Corporation and KTC-SUN Corporation were retired after the election in 2017.

(2) Information Regarding President, Vice Presidents, Assistant Vice Presidents, and Department Managers

Apr 10, 2018 / Unit: share

Title	Name	Nationality	Gender	Date On-Board	Shareholding		Shareholding Under Spouse and Minor Children		Shareholding Under 3rd Party Name		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Managers Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Chairman	D.K. Tsai	Republic of China	Male	6/23/1999	4,010,000	0.515%	-	-	-	-	Industrial Engineering, Taipei Institute of Technology General Manager, Kingston Technology Far East Corp. Chairman, Kingston Technology Far East Corp.	Chairman of Powertech Technology Inc. Chairman of Greatek Electronics Inc. Director of Powertech Holding (B.V.I.) Inc. Director of PTI Technology (Singapore) Pte. Ltd. Director of Powertech Technology (Singapore) Pte. Ltd. Legal Representative Director of Powertech Technology (Suzhou) Ltd. Executive Director of Powertech Technology Japan Ltd. Director of Tera Probe, Inc. Director of Powertech Technology Akita Inc. Independent Director of Wistron Corp. Independent Director of Compal Electronics, Inc. Independent Director of Chicony Power Technology Co. Ltd.	-	-	-
President	J. Y. Hung	Republic of China	Male	11/8/2013	205,000	0.026%	-	-	-	-	Master, Industrial and Information Management, National Cheng Kung University, Sr. VP, Siliconware Precision Industries Co. Ltd., President, Powertech Technology Inc. Chairman & CEO of Simaike Co. Ltd.	President of Powertech Technology Inc. Director of PTI Technology (Singapore) Pte. Ltd. Director of Powertech Technology (Singapore) Pte. Ltd. Legal Representative Director of Powertech Technology (Suzhou) Ltd. Legal Representative Director of Powertech Semiconductor (Xian) Co., Ltd.	-	-	-

Title	Name	Nationality	Gender	Date On-Board	Shareholding		Shareholding Under Spouse and Minor Children		Shareholding Under 3rd Party Name		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Managers Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Packaging Operations Sr. VP	J.S. Leu	Republic of China	Male	10/01/2000	137,356	0.018%	-	-	-	-	Bachelor, Mechanical Engineering, Feng Chia University Deputy Director, Packaging Manufacturing, Powerchip Technology Corp.	Legal Representative Director of Powertech Technology Inc. Chairman of Powertech Technology (Suzhou) Ltd Chairman of Powertech Semiconductor (Xian) Co., Ltd. Legal Representative Director of Greatek Electronics Inc.	-	-	-
Quality Assurance Sr VP.	John Wang	Republic of China	Male	12/12/2002	66,056	0.008%	-	-	-	-	MBA, National Chia Tung University Assistant VP, R&D, Kingpak Technology Inc.	None	-	-	-
Testing Operations Sr. VP	K.J. Chan	Republic of China	Male	08/01/2003	5,435	0.000%			-	-	Master, National Chiao Tung University VP., ChipMOS Technologies Ltd.	Legal Representative Director of Greatek Electronics Inc.	-	-	-
Sales of Strategic Account & Marketing Sr. VP	Steven Shen	Republic of China	Male	09/01/2014	25,000	0.005%					MBA, Tulane University Managing Director, AMKOR Taiwan VP., Powertech Technology Inc. President, Unictron Technologies Corp.	None	-	-	-

Title	Name	Nationality	Gender	Date On-Board	Shareholding		Shareholding Under Spouse and Minor Children		Shareholding Under 3rd Party Name		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Managers Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Information and Materials Management Sr. VP.	John Chang	Republic of China	Male	07/10/2012	21,000	0.003%					Master, Mechanical Engineering, University of Texas at Arlington Master, Management Sciences, National Chiao Tung University VP. of Purchasing, Chien Kuo Construction Corp. Deputy Director of Purchasing, ProMOS Technologies Ltd.	None			
Sales Sr. VP.	Peter Lai	Republic of China	Male	1/2/2013	35,000	0.004%			-	-	Industrial Engineering, National United College VP., Siliconware Precision Industries Co. Ltd.	None.	-	-	-
Singapore Operation Sr. VP	Tonwey Cheng	Republic of China	Male	8/82017	429	0.000%					Bachelor, Electronic Engineering, National Sun Yat-sen University VP of King Yuan Electronic Co., Ltd. VP of Powertech Technology Inc.	President of Powertech Technology (Singapore) Pte. Ltd. Sales VP of Greatek Electronic Inc.			

Title	Name	Nationality	Gender	Date On-Board	Shareholding		Shareholding Under Spouse and Minor Children		Shareholding Under 3rd Party Name		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Managers Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Packaging Mfg VP	Y. C. Chen	Republic of China	Male	3/9/2010	0	0.000%					Bachelor, Industrial Engineering, Chung Yuan Christian University Manger, PowerChip Technology Corp.	President of Powertech Semiconductor (Xian) Co., Ltd.			
Testing Mfg VP	Wilber Wu	Republic of China	Male	3/9/2010	37,86	0.005%					Master, Industrial Engineering, Chung Yuan Christian University Manager, PowerChip Technology Corp.	None			
Sales Strategy VP	Phu Le	U.S.A.	Male	4/1/2011	0	0.000%					Bachelor, Mechanical Engineering, Shibaura Institute of Technology, Tokyo, Japan Assembly Package Engineering Manager, Toshiba Microelectronics America Corp. Director of Assembly Package Operations, Payton Technology Corp. Sales Director, Kingston Technology Corp.	None			
Memory Testing Operations VP	Y.C. Chi	Republic of China	Male	5/10/2012	40,000	0.005%					EMBA, National Central University Manager, PowerChip Technology Corp.	None			

Title	Name	Nationality	Gender	Date On-Board	Shareholding		Shareholding Under Spouse and Minor Children		Shareholding Under 3rd Party Name		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Managers Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Packaging Global Operations Planning VP	Paul Wu	Republic of China	Male	3/9/2010	0	0.000%					Bachelor, Machanical Engineering, Tamkang University Director, Amkor Taiwan	None			
CFO & VP	Evan Tseng	Republic of China	Male	5/1/2015	12,000	0.002%					Master, Accountancy, Soochow University Sr. AVP, Systex Corp.	Legal Representative Director of Powertech Technology Inc. Director of Powertech Technology (Singapore) Pte. Ltd. Legal Representative Supervisor of Powertech Technology (Suzhou) Ltd. Legal Representative Director of Powertech Semiconductor (Xian) Co., Ltd. Director of Tera Probe, Inc. Legal Representative Director of TeraPower Technology Inc. Director of Powertech Technology Akita Inc. Director of Tsai Lin Pu Social Welfare Foundation			
Memory Packaging R&D VP	David Fang	Republic of China	Male	5/1/2015	3,000	0.000%					Bachelor, Electronics Engineering, Chung Yuan Christian University Manager, Texas Instrument Inc. Deputy Manager, PowerChip Technology Corp.	None			
Plant Affairs Engineering AVP	Perry Lin	Republic of China	Male	5/10/2012	166,715	0.021%					Associate, Mechanical Engineering, Minghsin Institute of Science & Technology Manager, Kingston Technology Far East Corp.	None			

Title	Name	Nationality	Gender	Date On-Board	Shareholding		Shareholding Under Spouse and Minor Children		Shareholding Under 3rd Party Name		Education & Selected Past Positions	Selected Current Positions at PTI & Other Companies	Managers Whose Spouses or within Second-degree Relative of Consanguinity to Each Other or other Managers		
					Shareholding	%	Shareholding	%	Shareholding	%			Title	Name	Relation
Logic Testing AVP	Vic Chen	Republic of China	Male	5/10/2012	87,000	0.011%					Master, Electrical Engineering, National Taiwan Science & Technology University AVP, Verigy Ltd. AVP, Agilent Technology Taiwan Ltd.	None			
Packaging Mfg AVP	Gary Chang	Republic of China	Male	8/1/2014	0	0.000%					Bachelor, Industrial Engineering, Feng Chia University Deputy Manager, PowerChip Technology Corp.	None			
WLP AVP	Victor Tung	Republic of China	Male	3/1/2016	0	0.00%					Master, Industrial Engineering, Yuan Ze University Sr. Director, Amkor Taiwan	None			

(3) Remuneration Paid to Directors, CEO, and Vice Presidents

1. Remuneration Paid to Directors

Unit：NT$ Thousands

Title	Name (Note 1)	Director's Remuneration								Total Remuneration (A+B+C+D) as % of 2017Net Income (Note 10)		Compensation Earned by Director Who is also an Employee of PTI or PTI's Consolidated Entities								Total Compensation (A+B+C+D+E+F+G) as % of 2017 Net Income (Note 10)		Compensation Paid to Directors from Nonconsolidated Affiliates
		Base Compensation (A)(Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 3)		Allowances (D) (Note 4)				Base Compensation, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Employee Profit Sharing (G) (Note 6)						
																From PTI		From All Consolidated Entities				
		From PTI	From All Consolidated Entities	From PTI	From All Consolidated Entities	From PTI	From All Consolidated Entities	From PTI	From All Consolidated Entities	From PTI(%)	From All Consolidated Entities(%)	From PTI	From All Consolidated Entities	From PTI	From All Consolidated Entities	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	From PTI(%)	From All Consolidated Entities(%)	
Chairman	D.K. Tsai (Note 12)	6,450	6,450	0	0	61,041	73,354	1,020	1,164	1.17	1.38	38,227	38,227	0	0	15,377	0	15,377	0	2.09	2.30	None
Director	J.Y. Hung																					
Director	Kingston Technology Corporation Rep: Shigeo Koguchi, Daphne Wu, J.S. Leu, Evan Tseng																					
Director	Toshiba Memory Semiconductors Taiwan Corp. Rep.: Tohru Yoshida																					
Independent Director	Jim W.L Cheng																					
Independent Director	Quincy Lin																					
Independent Director	Philip Wei																					
Independent Director	Pei-Ing Lee																					
Director	KTC-TU Corp (Note 11). Rep.：Daphne Wu	0	0	0	0	4,481	4,481	50	50	0.08	0.08	0	0	0	0	0	0	0	0	0.08	0.08	
Director	KTC-TU Corp.(Note 11) Rep.：Evan Tseng	0	0	0	0	4,481	4,481	50	50	0.08	0.08	5,565	5,565	0	0	1,489	0	1,489	0	0.20	0.20	
Director	KTC-SUN Corp. (Note 11) Rep.： J.Y. Hung	0	0	0	0	4,481	4,481	50	50	0.08	0.08	12,676	12,676	0	0	5,922	0	5,922	0	0.40	0.40	
Director	KTC-SUN Corp. (Note 11) Rep.：Shigeo Koguchi	0	0	0	0	4,481	4,481	50	50	0.08	0.08	0	0	0	0	0	0	0	0	0.08	0.08	

Remuneration Paid to Directors Grade Table

Grade Scale of Remuneration paid to each director of PTI	Name of Director			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	From PTI (Note 8)	From All Consolidated Entities (Note 9)	From PTI (Note 8)	From All Consolidated Entities (Note 9)
Under NT$ 2,000,000	Jim WL Cheng, Quincy Lin, Philips Wei, Pei-Ing Lee	Jim WL Cheng, Quincy Lin, Philips Wei, Pei-Ing Lee	Jim WL Cheng, Quincy Lin, Philips Wei, Pei-Ing Lee	Jim WL Cheng, Quincy Lin, Philips Wei, Pei-Ing Lee
NT$ 2,000,000 ～ NT$ 4,999,999	KTC-TU Corp. Rep.：Daphne Wu KTC-TU Corp. Rep.：Evan Tseng KTC-TU Corp. Rep.：Shigeo Koguchi KTC-TU Corp. Rep.：JY Hung	KTC-TU Corp. Rep.：Daphne Wu KTC-TU Corp. Rep.：Evan Tseng KTC-TU Corp. Rep.：Shigeo Koguchi KTC-TU Corp. Rep.：JY Hung	KTC-TU Corp. Rep.：Daphne Wu KTC-SUN Corp. Rep.：Shigeo Koguchi	KTC-TU Corp. Rep.：Daphne Wu KTC-SUN Corp. Rep.：Shigeo Koguchi
NT$ 5,000,000 ～ NT$ 9,999,999	JY Hung Kingston Technology Corporation Investment Account (Rep: Shigeo Koguchi, Daphne Wu, JS Leu, Evan Tseng)	JY Hung Kingston Technology Corporation Investment Account (Rep: Shigeo Koguchi, Daphne Wu, JS Leu, Evan Tseng)	Kingston Technology Corporation Investment Account (Rep: Shigeo Koguchi, Daphne Wu).	Kingston Technology Corporation Investment Account (Rep: Shigeo Koguchi, Daphne Wu)
NT$ 10,000,000 ～ NT$ 14,999,999	Toshiba Memory Semiconductor Taiwan Corp.	Toshiba Memory Semiconductor Taiwan Corp.	Toshiba Memory Semiconductor Taiwan Corp. KTC-TU Corp. Rep.：Evan Tseng Kingston Technology Corporation Investment Account Rep: Evan Tseng	Toshiba Memory Semiconductor Taiwan Corp. KTC-TU Corp. Rep.：Evan Tseng Kingston Technology Corporation Investment Account Rep: Evan Tseng
NT$ 15,000,000 ～ NT$ 29,999,999	D.K. Tsai		JY Hung KTC-SUN Corp Rep.：J.Y. Hung Kingston Technology Corporation Investment Account Rep: JS Leu	JY Hung KTC-SUN Corp Rep.：J.Y. Hung Kingston Technology Corporation Investment Account Rep: JS Leu
NT$ 30,000,000 ～ NT$ 49,999,999	–	D.K. Tsai	D.K. Tsai	–
NT$ 50,000,000 ～ NT$ 99,999,999	–	–	–	–
Over NT$ 100,000,000	–	–	–	–
Total	15	15	15	15

Note 1: The names of all directors are listed individually (institutional shareholders by the name of institutional shareholders and its representatives). The remuneration is disclosed by summary for each item. Because two directors or representatives serve as CEO and president, they are excluded from this table and will be listed in Table 3 below.

Note 2: Remuneration paid for 2016. According to the amended Shareholders' Meeting Procedure in 2013, independent directors' compensation will be paid monthly and no longer in title to annual profits sharing plan.

Note 3: Remuneration paid for 2016 profit sharing plan before the amendment of Board remuneration plan.

Note 4: Compensation for traveling.

Note 5: Includes 2016 salaries, wages, allowances, pensions, severance pay, bonuses, incentives, traveling expenses, special expenses, allowances, dormitories, vehicles and other offers received as both employees and directors.

Note 6: The amount was employees served as Board members and received employee's profit sharing. The amount was estimated by ratio of year of 2015 actual amount multiple by year of 2016 distribution rate because the actual amount was pending for shareholders meeting approval.

Note 7: Discloses the total remuneration by item paid to company’s directors from all consolidated entities (including PTI).
Note 8: The total remuneration paid to each director by item from PTI, including the grade and disclosure of director’s name.
Note 9: The total remuneration paid to each director by item from all consolidated entities (including PTI), including the grade and disclosure of director’s name.
Note 10: After-tax net income refers to the after-tax net income of the PTI financial statements for 2017.
Note 11: All the Board of Directors and Independent Directors were elected in 2017. One additional board and one additional independent director were elected in 2017. Existing Board of Director KTC-TU Corporation and KTC-SUN Corporation were retired after the 2017 election.
Note 12: One dedicated fulltime employee served as Chairman driver who was eligible for wages, bonuses, and benefits.

2. Remuneration Paid to President and Vice President

Unit：NT$ Thousands

Title	Name (Note1)	Salary (A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and Allowances(C) (Note 3)		Employee Profit Sharing (D) (Note 4)				Total Remuneration (A+B+C+D) as % of 2017 Net Income (%)		Compensation Received from Non-consolidated Affiliates
		From PTI	From All Consolidated Entities	From PTI	From All Consolidated Entities	From PTI	From All Consolidated Entities	From PTI		From All Consolidated Entities		From PTI	From All Consolidated Entities	
								Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)			
CEO	D.K. Tsai	48,684	52,994	0	0	49,272	51,518	30,899	0	30,899	0	2.20%	2.32%	None
President	J.Y. Hung													
Packaging Operations Sr. VP.	J.S. Leu													
Quality Assurance Sr. VP.	John Wang													
Testing Operations Sr. VP.	K.J. Chan													
Sales & Marketing Sr. VP.	Steven Shen													
Information and Materials Management Sr. VP.	John Chang													
Sales Sr. VP.	Peter Lai													
Singapore Operation Sr. VP.	Tonwey Cheng													
Packaging Manufacturing VP.	Y.C. Chen													
Memory Testing Operations VP.	Wilber Wu													
Sales Management VP.	Phu Le													
Memory Testing Operations VP.	Y.C. Chi													
Packaging Manufacturing VP.	Paul Wu													
CFO & VP.	Evan Tseng													
CTO &VP	David Fan													

Remuneration Paid to President and Vice President Grade Table

Grade Scale of Remuneration paid to each of PTI's CEO, President, and Vice Presidents	Name	
	From PTI (Note 6)	From All Consolidated Entities (Note 7)
Under NT$ 2,000,000	–	–
NT$ 2,000,000 ～ NT$ 4,999,999	Tonwey Cheng, YC Chen	–
NT$ 5,000,000 ～ NT$ 9,999,999	J.S. Leu ,K.J. Chan, John Wang, Steven Shen, Peter Lai, John Chang, Wilber Wu, YC Chi, Phu Le, Paul Wu, Evan Tseng, David Fan	J.S. Leu ,K.J. Chan, John Wang, Steven Shen, Peter Lai, John Chang, YC Chen, Wilber Wu, YC Chi, Phu Le, Paul Wu, Evan Tseng, David Fan
NT$ 10,000,000 ～NT$ 14,999,999	–	–
NT$ 15,000,000 ～NT$ 29,999,999	D.K. Tsai, J.Y. Hung	D.K. Tsai, J.Y. Hung
NT$ 30,000,000 ～NT$ 49,999,999	–	–
NT$ 50,000,000 ～NT$ 99,999,999	–	–
Over NT$ 100,000,000	–	–
Total	16	16

Note 1: The names of CEO, President, and Vice Presidents are separately listed, and total remuneration disclosed for each item paid. Director serving as CEO and President are listed in this table and Table 1.

Note 2: Remuneration included President and Vice President Payrolls and incentives.

Note 3: Remuneration included President and Vice President Bonuses, transportation incentives, special allowances, and other incentives. .

Note 4: The amount was estimated using 2017profit sharing ratio and approved by 2016 Board Meeting. Details listed in Table 3.

Note 5: The amount was the summary remuneration paid to company's CEO, President, and Vice Presidents from all consolidated entities.

Note 6: Each executive management compensation was disclosed in range.

Note 7: All compensation from consolidated statements was disclosed by range for each executive management.

Note 8: After tax net income refers to the after tax net income of the PTI financial statements for 2017.

3. Bonuses Paid to Management

Date: Dec 31 2017

	Title	Name	Stock (Fair Market Value)	Cash(NTD K)	Total(NTD K)	Total as % of 2015 Net Income
Management	CEO	D.K. Tsai	0	34,712	34,712	0.59%
	President	J.Y. Hung				
	Packaging Operations Sr. VP.	J.S. Leu				
	Quality Assurance Sr. VP.	John Wang				
	Testing Operations Sr. VP.	K.J. Chan				
	Marketing & Sales Sr. VP.	Steven Shen				
	Information and Materials Management Sr. VP.	John Chang				
	Sales Sr. VP.	Peter Lai				
	Singapore Operations Sr. VP.	Tonwey Cheng				
	Packaging Manufacturing VP.	Y.C. Chen				
	Memory Testing Operations VP.	Wilber Wu				
	Sales Management VP.	Phu Le				
	Memory Testing Operations VP.	Y.C. Chi				
	Packaging Global Operations Marketing Assistant VP.	Paul Wu				
	Finance & Investment Management VP.	Evan Tseng				
	Memory Packaging R&D VP.	David Fang				
	Plant Affairs Engineering Assistant VP.	Perry Lin				
	Logic Testing Assistant VP.	Vic Chen				
	Packaging Manufacturing Assistant VP.	Gary Chang				
	Wafer Level Packaging Assistant VP.	Vic Dong				

Note 1: The 2017 profit sharing amount was approved by Board of Directors but pending for Shareholders' Meeting approval. The estimation was base on 2016 actual amount multiple by proposed ratio for 2017. Net income after tax for 2017 was referred to 2017 PTI financial statement net income after tax.

Note 2: Applicable grades for management are based on ruling of FSC Letter No. 0920001301 MOF March 27, 2003. The grades are listed below:

1) President or equivalent grade 4) Head of Finance Department

2) Vice Presidents or equivalent grade 5) Head of Accounting Department

3) Assistant Vice President or equivalent grades 6) Other Corporate management affairs or have signing authority

Note 3: For Directors, President, and Vice President who received employee profit sharing, in addition to filling related tables, information is contained in this table.

4. The percentage of compensation to Board, Supervisor, President, Vice President:

Title	2017 Compensation Percentage of Net Income after Tax		2016 Compensation Percentage of Net Income after Tax	
	PTI Alone	Consolidated	PTI Alone	Consolidated
Board and Supervisor	2.40%	2.61%	2.31%	2.54%
President and Vice President	2.20%	2.32%	2.66%	2.75%

(1)Compensation for Board of Dirctors were based on the percentage defined in Article of Incorporation. 2017 compensation was based on revised Article of Incorporation which was less than 1.5% of before tax income deducted annual board and employee compensation. Independent Directors were paid monthly and not entitled to board compensation.

(2) Compensation for President and vice President were based on corporate payroll policy and employee profit sharing policy considering individual seniority, experiences, performance, and contribution. Compensation proposal will be reviewed by Remunerations Committee

and approved by Board.

(3)Weight of 2017 Board compensation over net income were higher than 2016 due to including salary compensation of one employee who served as additional Legal Representative Director. Weight of 2017 management compensation over net income were lower than 2016 due to 2017 employee compensation significant increased by almost one thousand headcounts.

4. Corporate Governance Status

(I) Board of Directors Meeting Status:

Board of Directors Meeting Status

11 Board Meetings took place in 2017, seven before Annual General Meeting on May 26, 2017 and four after May 26, 2017. The attendance status as follows:

Before Annual General Meeting on May 26, 2017

Title Name	Attendance	Attend In Person	Attend By Proxy	Attendance Rate	Note
Chairman	D.K. Tsai	4	0	100%	
Director	KTC-TU Corporation, Representative：Daphne Wu	4	0	100%	
Director	KTC-TU Corporation Representative：Evan Tseng	4	0	100%	
Director	KTC-SUN Corporation Representative: Shigeo Koguchi	4	0	100%	
Director	KTC-SUN Corporation Representative: J.Y. Hung	4	0	100%	
Director	Toshiba Memory Semiconductors Taiwan Corp. Representative: Tohru Yoshida	3	0	75%	
Independent Director	Jim W.L. Cheng	4	0	100%	
Independent Director	Quincy Lin	4	0	100%	

After Annual General Meeting on May 26, 2017

Title Name	Attendance	Attend In Person	Attend By Proxy	Attendance Rate	Note
Chairman	D.K. Tsai	3	0	100%	
Director	J.Y. Hung	3	0	100%	
Director	Kingston Technology Corporation Investment Account Representative：Shigeo Koguchi	3	0	100%	
Director	Kingston Technology Corporation Investment Account Representative：Daphne Wu	2	0	66.7%	
Director	Kingston Technology Corporation Investment Account Representative: J.S. Leu	2	1	66.7%	
Director	Kingston Technology Corporation Investment Account Representative：Evan Tseng	3	0	100%	
Director	Toshiba Memory Semiconductors Taiwan Corp. Representative: Tohru Yoshida	3	0	100%	
Independent Director	Jim W.L. Cheng	2	1	66.7%	
Independent Director	Quincy Lin	3	0	100%	
Independent Director	Philip Wei	3	0	100%	
Independent Director	Pei-Ing Lee	3	0	100%	

Other Remark:

1. Any of the following situation should be clearly stated board meeting date, term, proposal details, all opinions from independent directors, and responses from the Company reading Independent Director opinion:

   (1) Items listed by Article 14-3 of Securities and Exchange Act :

   Audit Committee has been set up complied with Article 14-3 of Securities and Exchange Act and approved by Board. Details operations of Audit Committee can be found in Audit Committee Meeting Status in next section.

   (2) Other written opinion or objection from Independent Directors regarding Board approval items:

   None.

2. Independent Directors should leave during discussion for matters with conflict of interest. Name of directors, proposal details, reason of conflicts and voting results:

   (1) Board Meeting on Aug 8, 2017

   Item 2: Independent Director Compensation Principal

   All Independent Directors were excused from the meeting due to conflict of interests. All participated directors approved the proposal and authorized Chairman for the matter.

   Item 3: 2016 Management Compensation Plan

   DK Tsai, JY Hung, and Evan Tseng were excused from the meeting due to conflict of interests. All participated directors approved the proposal.

   Item 5: Remove of non-compete clause for management

   DK Tsai and Evan Tseng were excused from the meeting due to conflict of interests. All participated directors approved the proposal.

3. Current and recent years professional targets set for the Board (ex, set up of Audit Committee, improve corporation transparency) and keep track of progress:

   Govern by Regulation #10200531121 issued by Taiwan Financial Supervisory Commission on Dec 31, 2013, non-financial related public listed companies with capital greater than NT$2 b and less than NT$10 b should establish Audit Committee to replace Supervisor by Jan 1, 2017. PTI had revised Article 14 of Article of Incorporation to eliminate Supervisor and establish Audit Committee on the 6^{th} annual 16^{th} Board Meeting. The revision was approved by 2014 Shareholders' Meeting. Audit Committee was established after the election of 7^{th} Board of Directors and independent directors. PTI voluntary met the requirement ahead of time. Article 14 was revised on Oct 30, 2015 to increase Board seats from 9 to 11, including independent directors increased from 3 seats to 4 seats. The minimum number of Independent Directors increased from 1/5 to 1/3 of total number of Board Directors. The changes were approved by 2016 Extraordinary Shareholders' Meeting on Jan 15, 2016.

   In order to maintain and improve the transparency of the corporate governance, PTI will post summary conclusions from Board Meeting on MOPS at the same date of the meeting. If required by regulation, PTI will host press release to answer media and investors questions.

(II) Audit Committee Meeting Status:

4 independent directors were elected on May 26, 2017 Annual Shareholders' Meeting.

7 meetings were hold during 2017 and the attendance status as follow:

4 meetings were hold for 1st Term Audit Committee in 2017:

Title Name	Attendance	In Person	By Proxy	Attendance Rate	In Person (%)
Independent Director	Jim W.L. Cheng	4	0	100%	
Independent Director	Quincy Lin	4	0	100%	
Independent Director	Philips Wei	4	0	100%	

3 meetings were hold for 2nd Term Audit Committee in 2017:

Title Name	Attendance	In Person	By Proxy	Attendance Rate	In Person (%)
Independent Director	Jim W.L. Cheng	2	1	66.7%	
Independent Director	Quincy Lin	3	0	100%	
Independent Director	Philips Wei	3	0	100%	
Independent Director	Pei-Ing Lee	3	0	100%	

Other Remark:

1. In additional to items listed in Article 14-5 of Incorporation, proposals deny by Audit Committee but approved by more than 2/3 of total Board of Directors should indicate date of Board meeting, term, proposal details, conclusions from Audit Committee, and PTI responses for Audit Committee's conclusions: .

(1) Items Subject to Article 14-5:

Board Meeting	Proposal Details & Follow Ups	Subject to Article 14-5	Proposal Approved by more than 2/3 of Board Members without Audit Committee Approval
7th Term 17th Meeting (Jan 13, 2017)	1. Withdraw 2016 private placement proposal.	√	
	2. Proposal of oversea subsidiary set up.	√	
	3. Proposal of selling equipment to subsidiaries.	√	
	All members of audit committee approved the proposals in the meeting on Jan 13, 2017.		
	All members of attended board members agreed with the conclusion reached by audit committee.		
7th Term 18th Meeting (Feb 22, 2017)	1. Reviewed 2016 Operation Report and Financial Reports.	√	
	2. Authorized 2016 Internal Audit Report Declaration.	√	
	3. In order to reduce currency exchange risks, proposed to extend trade long term forward exchange term with existing US$80 m credit limit.	√	
	4.Amend Procedure of Acquire and Dispose Assets	√	
	5. Reviewed of employed CAP independence and capability.	√	
	All members of audit committee approved the proposals in the meeting on Feb 21, 2017.		
	All members of attended board members agreed with the conclusion reached by audit committee.		
7th Term 19th Meeting (Apr 14, 2017)	1. Reviewed 2016 profit sharing proposal.	√	
	2. Propose to increase the investment of Powertech Technology Japan Ltd. to no greater than JP$14.5b (US$132 m) in order to complete the acquisition of at least 39.6% Tera Probe Inc. and 100% of Micron Akita Inc.	√	
	3. Proposed to acquire 100% of Micron Akita Inc with no greater than US$50 m (JP$5.5b) through 100% owned subsidiary Powertech Technology Japan Ltd.	√	
	All members of audit committee approved the proposals in the meeting on Apr 14, 2017.		
	All members of attended board members agreed with the conclusion reached by audit committee.		
7th Term 20th Meeting (May 5, 2017)	1. Reviewed 1Q17 financial reports	√	
	2. In order to reduce currency exchange risks, proposed to trade long term forward exchange for US$6 m with extending existing US$60 m credit limit.	√	
	3. Proposed to endorse guarantee for Powertech Technology (Suzhou) Ltd. for US$20 m borrowing from banks.	√	
	All members of audit committee approved the proposals in the meeting on May 5, 2017.		
	All members of attended board members agreed with the conclusion reached by audit committee.		

Board Meeting	Proposal Details & Follow Ups	Subject to Article 14-5	Proposal Approved by more than 2/3 of Board Members without Audit Committee Approval
8th Term 1st Meeting (Jun 8, 2017)	1. Proposed to increase investment of Tera Power Inc. by cash of NT$198.45 m for 6.615 m shares to maintain PTI's holding position after capital increase.	√	
	All members of audit committee approved the proposals in the meeting on Jun 8, 2017.		
	All members of attended board members agreed with the conclusion reached by audit committee.		
8th Term 2nd Meeting (Aug 8, 2017)	1. Reviewed 2Q17 Financial Reports.	√	
	2.Authorized the endorsement and guarantee US$20 m for Powertech Technology (Singapore) Pte. Ltd. with loan from China Trust Bank. Withdraw additional US$3.5 m from the loan with balance of US$13 m.	√	
	3. In order to reduce currency exchange risks, proposed to trade long term forward exchange for NT$300 m with extensions of existing US$25 m credit limit.	√	
	All members of audit committee approved the proposals in the meeting on Aug 8, 2017.		
	All members of attended board members agreed with the conclusion reached by audit committee.		
8th Term 3rd Meeting (Nov 1, 2017)	1. Reviewed 3Q17 Financial Reports	√	
	2. Established 2018 Internal Audit Plan.	√	
	3. In order to reduce currency exchange risks, proposed to trade long term forward exchange with extensions of existing US$100 m credit limit.	√	
	All members of audit committee approved the proposals in the meeting on Nov 1, 2017.		
	All members of attended board members agreed with the conclusion reached by audit committee.		

(2) Proposal Approved by more than 2/3 of Board Members without Audit Committee Approval: None.

2. Independent Directors should leave during discussion for matters with conflict of interest. Name of directors, proposal details, reason of conflicts and voting results:

None

3. Communication between Independent Directors and CPA (ex. Issues regarding corporate financial, business operations, methods, results, and etc.):

(1)Internal audit department email audit reports to independent directors in a monthly basis. The head of internal audit should specified major findings during Audit Committee meetings.

(2)Summarized quarterly consolidated and stand alone financial statements information should be delivered and communicated with independent directors during Audit Committee meetings in order to comply with regulations defined in No 39 Statements of Auditing Standards and No.0930105373 of Securities and Futures Bureau.

(3)No less than 1 Audit Committee meeting per quarter. Summarized communication among independent directors, head of internal audit, and CPA:

Date	Audit Committee Sequence	Communication Summary
Feb 22, 2017	1st Term 13th Meeting	1. Presented the status of 4Q16 internal audit execution. 2. Authorized 2016 Internal Audit Report Declaration after reviewed the internal audit procedures and results of self-evaluation 3. CAP presented 2016 consolidated and individual financial reports and evaluation details. Communicated with accounting and tax regulation changes and major financial estimation methods. CAP also presented 2017 audit schedule and identified major risks. No suggestion from independent directors.
May 5, 2017	1st Term 15th Meeting	1. Presented the status of 1Q17 internal audit execution. 2. CPA presented 1Q17 financial reports. Communicated opinions regarding major financial estimation and tax regulation changes, and new regulation changes. No suggestion from independent directors.

Date	Audit Committee Sequence	Communication Summary
Aug 8, 2017	2nd Term 2nd Meeting	1. Presented the status of 2Q17 internal audit execution. Independent Director Pei-Ing Lee The importance of information security management and protection of trade secrets, and suggested to review the risk exposure and take necessary protection actions. Internal Audit: PTI was certified by ISO27001 in 2016 and standard procedure has been set up for protection of trade secrets and individual identity. Overseas subsidiaries will follow the procedure and take necessary actions to endorse the practice. 2. CPA presented 2Q17 financial reports. Communicated opinions regarding major financial estimation. (1)Independent Director Pei-Ing Lee: Suggested to summarized trade with related parties to better understand the operations status. Internal Audit: Agreed to presented quarterly information of trades between related parties. (2)Internal Audit: Newly acquired Tera Probe Inc. will be included in internal audit review. Tera Probe Inc. will stay as a Japan listed company, all regulation compliance need to meet both local and Taiwan requirements. Independent Director Jin W.L Cheng: Suggested to have Japan local CPA firm for assistance to point out the differences between Japan and Taiwan and execute internal audit. Independent Director Pei-Ing Lee: Agreed with Mr. Cheng's suggestion. Internal Audit: Agreed with independent directors' suggestion to consult with Japan local CPA firm.
Nov 1, 2017	2nd Term 3rd Meeting	1. Presented the status of 3Q17 internal audit execution Independent Director Jim W.L. Cheng: Concerns about shipment insurance coverage for purchasing term change from FOB to CIF. CFO: Shipment insurance was under Global Policy which covers all shipments by air and sea. Suggested to negotiate with supplier to cover some shipment costs after the change of payment term. Independent Director Philip Wei: Suggested to get multiple quotations of forwarding services due to huge price gap between forwarders and have experienced staff to review the pricing regularly. Internal Audit: Will take suggestion for consideration. Independent Director Pei-Ing Lee: Were insurance coverage for construction, assets, fire, earthquake, etc. included in internal audit review items? CFO: Current insurance coverage including assets related fire, earthquake and operation interruption, employee travel, etc. Insurance coverage summary will be presented to Board in next meeting for clarification. Internal Audit: Insurance coverage will be included in internal audit review. 2. Established 2017 internal audit schedule. 3. CPA presented 3Q17 financial reports. Communicated opinions regarding major financial estimation. Introduced and discussed IFRS 58 major audit items. Independent Director No other suggestion.
Mar 16, 2017	2nd Term 4th Meeting	1. Presented the status of 4Q17 internal audit execution. 2. Authorized 2017 Internal Audit Report Declaration after reviewed the internal audit procedures and results of self-evaluation. 3. CPA presented 2017 financial reports. Communicated for major financial estimation, accounting and tax regulation updates. CAP also presented 2017 audit schedule and identified major risks items. No suggestion from independent directors.

Date	Audit Committee Sequence	Communication Summary
May 4, 2017	2nd Term 5th Meeting	1. Presented the status of 1Q18 internal audit execution. 2. CPA presented 1Q18 financial reports. Communicated for major financial estimation, accounting and tax regulation updates. Other (1) Sr. Legal Director summarized the status of employee fraud Independent Director Pei-Ing Lee: Suggested to voluntary disclose the incident and state no impact on company finance to ease investors concerns. CFO: Will further evaluate the situation and actions. Independent Director Philip Wei: Any financial impact on PTI due to the employee fraud case? Sr. Legal Director: PTI could get cheaper probing equipment from China supplier without the fraud. CPA: There is no impact on financial statements because there is no actual money lost or asset damages due to the fraud. Internal Audit: Modification on procurement was taken, such as equipment buy directly from equipment maker, or public auction for major asset acquisition. Independent Director Jim W.L. Cheng: Is it necessary to modify the procurement procedure? Internal Audit: We are currently reviewing all the related procedures now. Revised procedures will be submitted for Board approval. No other suggestion from independent directors.

(III) Variances and Reasons between PTI Corporate Governance Practices and Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies:

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?	√		PTI Corporate Governance Best Practice Principles has followed "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and approved by Board of Directors on Nov 5 2014 and amended on Feb 9, 2015 board meeting. The document was disclosed in PTI company website and MOPS.	Complied with Regulation.
2. Shareholding Structure & Shareholders' Rights				
(1)Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? If yes, has these procedures been implemented accordingly?	√		1. PTI has dedicated spokesman and shareholders affairs department to handle inquiries for shareholders. Contact information is available on company website. Legal inquiries will be handle by legal department.	Complied with Regulation.
(2)Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	√		2. Regular reports and shareholder lists will be provided by stock transfer agent. PTI has disclosed information required by authority and kept good communication with major shareholders.	
(3)Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	√		3. Procedures for activities with related parties has been established and followed.	
(4)Has the Company established internal rules prohibiting insider trading on undisclosed information?	√		4."Prohibition against Insider Trading" policy has been established to educate and prevent insiders trading for who has access to significant internal information.	
3. Composition and Responsibilities of the Board of Directors:				Complied with Regulation.
(1)Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	√		1. Each director qualifies for requirements defined by Corporate Governance Best Practice Principles. 11 Board Directors met professional requirements, including no less than 4 and no less than 1/3 as independent directors. One of director is female.	
(2)Other than the Remuneration Committee and the Audit Committee which are required by		√	2. The company has set up the Remuneration Committee and Audit Committee as directed by law. Other committees will be set up as needed.	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td>law, does the Company plan to set up other Board committees?</td><td></td><td></td><td></td><td rowspan="3"></td></tr>
<tr><td>(3)Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?</td><td></td><td>√</td><td>3 .Board of Directors have been performed at highest standards. There is no evaluation of performance in place now. Evaluation will be established as needed.</td></tr>
<tr><td>(4)Does the Company regularly evaluate its external auditors' independence?</td><td>√</td><td></td><td>4. Starting from 2015, annual independence review of CAP will be performed and major items are:
a. Review CAP qualification and experiences.
b. Declaration of Independence from CPA including audit team members and their spouses and dependents don't have conflict of interests to influence their independency.
c. Search on internet for records of employed CPA breach of independence.
d. Evaluate employed CAP independency using check list defined by No. 10 Article 23 of Certified Public Accountant Act..
e. Reviewed on Feb 22, 2017 Audit Committee meeting.
f. Present the evaluation for Board of Directors on Feb 22, 2017.</td></tr>
<tr><td>4. Has the Company established dedicated person(s) or department to handle corporate governance issues (including but not limited to provide evaluation data for board of directors and supervisors hold board meeting and shareholder meeting, apply incorporation registration and modification, and record meeting minutes for board meetings and shareholder meetings)?</td><td></td><td></td><td>The Stock Affairs Department is in charge of corporate governance related issues and major tasks were:
1. Plan annual shareholder and board meetings agenda and schedule.
2. Planning for board meetings details and notify attendance directors board meeting agenda 7 days before the meeting. Remind conflict of interests attendance to leave when necessary.
3. Meeting minutes recording. Copy directors and file the meeting minute document within 20 days of meeting.
4. Register for annual shareholder meeting with authorization with completed meeting notice, meeting agenda, annual report and meeting minutes within required period. File for amendment within 15 days after annual shareholder meeting.
5. Public announcement of board and shareholder meeting conclusions comply with regulation and investor interests.
6. Assist Directors for continue education programs.</td><td></td></tr>
<tr><td>5. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders Section on its Company website?
Does the Company respond to stakeholders' questions on corporate responsibilities?</td><td>√</td><td></td><td>Stakeholders communication methods as below:
<table>
<tr><th>Related Party</th><th>Communication Method</th></tr>
<tr><td>Shareholders/Investors</td><td>➢ Shareholders' Meeting
➢ Financial Reports
➢ Host Quarterly Institutional Investor Conference
➢ Established spokesman and Investor Relations Department
➢ Company Website</td></tr>
<tr><td>Employees</td><td>➢ Employees Benefits Committee
➢ Electronic Platform & Announcement
➢ Procedures for Improvement Proposal Reviewing
➢ Employee and Employer Meeting
➢ Suggestion Box
➢ Psychological Consultant and Aids</td></tr>
<tr><td>Customers</td><td>➢ Sales Department
➢ Customer Satisfaction Survey
➢ Customer Service</td></tr>
<tr><td>Suppliers</td><td>➢ Electronic Procurement Platform
➢ Procurement Contract Management
➢ Supplier Management Meeting
➢ Supplier Audit Procedure
➢ Supplier Evaluation</td></tr>
<tr><td>Government</td><td>➢ Emails and Official Notice in Mail
➢ Seminars and Public Hearings Host by Officials
➢ Supplement Documents from Officials</td></tr>
<tr><td>Community</td><td>➢ Company Website
➢ General Affairs Contact Window</td></tr>
<tr><td>Media</td><td>Press Release
Interview</td></tr>
<tr><td colspan="2">PTI has set up a section for stakeholders on the company website to disclose corporate social responsibilities, and CSR hotline and email account. Dedicated staff will take care of reported problems.</td></tr>
</table></td><td>Complied with Regulation.</td></tr>
<tr><td>6. Has the Company outsource professional stock affair organization for assistance?</td><td>√</td><td></td><td>Concord Securities Co. Ltd assisted PTI for shareholder affairs.</td><td>Complied with Regulation.</td></tr>
</table>

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
7. Information Disclosure				
(1)Has the Company established a corporate website to disclose information regarding its financial and corporate governance status?	√		Company website has been set up and well maintained. Financial and Corporate Governance information will be disclose on the website upon occurrence.	Complied with Regulation.
(2)Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	√		The Company has dedicated personnel in charge of disclosure on MOPS following authority regulations. Investor Relations section under company website discloses information in both Chinese and English. Spokesman and deputy spokesman are in place. The Company has been hosting physical quarterly Institutional Investor Conference. Live webcasting and replay of conference available on company website for investors.	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	√		1. The Company has set up Corporate Social Responsibility Practice Guidelines and Corporate Social Responsibility Office to review and monitor CSR progress every 6 months. 2. Employees Rights and Employees Care: Please refer to CSR Status Item 3 A-E on Page 3. 3.The Company has set up multiples communication channels with investors or shareholders, such as spokesman, Investor Relations Department, quarterly institutional investor conference, investor seminars upon request by security firms. 4. The Company has established "Operations Sustainability Policy" and "Promotion Committee". Annual Risk Assessment Meeting will evaluate and manage the impacts from emergency events. 5. Supplier Management: Please refer to CSR Status Item 3 H-I on page 3. 6. Schedule Board of Directors and managements attending training sections. Please refer to table below for training details. 7. The Company has enrolled Board of Directors (including independent directors) and management for liability insurance. The previous coverage expired on Aug 26, 2017 and policy was renewed with Chubb Insurance Taiwan Ltd. with US$30 m premium at annual costs of US$40,000. Period from Aug 26, 2017 to Aug 26, 2018. Insurance coverage and details was reviewed on Nov 1, 2017 board meeting.	Complied with Regulation.

1. Policy to encourage board of directors to enroll in well-rounded programs:
   (a) Article of Incorporation 20-3 stated: board members should not be discriminated against gender; all members should be capable in knowledge, skills, and mind set. All board of directors should be capable in:
      (i)Operational judgments;
      (ii) Financial analysis;
      (iii) Management skills;
      (iv) Crisis management;
      (v) Industry knowledge;
      (vi) International perspectives;
      (vii) Leadership skills;
      (viii)Decision Making.
   (b) Execution Status:

Program Title & Name		Gender	Operational Judgment	Financial Analysis	Management Skills	Crisis Management	Industry Knowledge	International Perspectives	Decision Making
Chairman	DK Tsai	Male	√		√	√	√	√	√
Director	J.Y. Hung	Male	√		√	√	√	√	√
Director	Shigeo Koguchi	Male	√		√	√	√	√	√
Director	Daphne Wu	Female	√	√	√	√			
Director	J. S. Leu	Male	√		√	√	√	√	√
Director	Evan Tseng	Male	√	√	√	√	√		
Director	Tohru Yoshida	Male	√		√	√	√	√	√
Independent Director	Jim W.L. Cheng	Male	√	√	√	√			√
Independent Director	Quincy Lin	Male	√		√	√			√
Independent Director	Philip Wei	Male	√	√	√	√			√
Independent Director	Pei-Ing Lee	Male	√		√	√	√	√	√

2. Evaluation of independency of CPA Yu-Feng Huang and Su-Li Fang:

Events Influence on CPA Independency	Yes	No
1. Do the CPAs have direct and major financial relationship with the Company?		√
2. Do the Company or any board member lend or endorsement guarantee to CPAs?		√
3.Do the CPAs lend or endorsement guarantee to the Company?		√
4. Do the CPAs have frequent business relationship with the Company?		√
3. Do the CPAs have frequent business relationship with any board or management members?		√
6. Do the CPAs employee by the Company as board of director, management, or any position could significantly impact on audit now or last 2 years?		√
7. Are the CPAs going to be employed by the Company as board of director, management, or any position could significantly impact on audit in the future?		√
8.Do the CPAs as family members of board of director, management, or any position could significantly impact on audit?		√
9.Do the CPAs received any significant valuables or gifts from board of director or management?		√
9.Do the CPAs employed by the Company for consecutive 7 years?		√

3. Status of 2016 Continue Education for Board of Directors and Management:

Title	Name	Date	Host By	Course	Duration (Hours)
Chairman	DK Tsai	2017/10/27	Taiwan Corporate Governance Association	Legal Risks of Board Director and Management.	3
				Legal Risks of Board Director and Management.	3
Independent Director	Jim W.L. Cheng	2017/6/20	Taiwan Corporate Governance Association	Guidance and case studying for competition for management power.	6
Independent Director	Philip Wei	2017/5/23	Taiwan Corporate Governance Association	Responsibility of fraud information and financial disclosure for Board Directors and Supervisors.	3
		2017/10/11	Accounting Research and Development Foundation	Anti-Money Laundering and Counter Terrorist Financing	3
Independent Director	Pei-Ing Lee	2017/11/09	Securities & Futures Institute	Case Study for Corporate Financial Fraud	3
		2017/11/23	Center for Corporate Sustainability	Taiwan Corporation Sustainability Opportunity from Sustainable Development Goals	3
CFO & VP	Evan Tseng	2017/9/11 2017/9/12	Accounting Research and Development Foundation	Continue Education for Head of Finance for Public Listed Companies.	12
Internal Audit	Teressa Tseng	2017/8/23	Accounting Research and Development Foundation	Internal Audit Key Evaluation for New Labor Law Amendment and Corporate Payroll Cycle.	6
		2017/9/13		Analyst of Legal Responsibility and Whistleblower System.	6

(III) Remuneration Committee Members and Attendance

1. Information Regarding Remuneration Committee Members

Criteria / Name		Meet One of the Following Professional Qualification Requirements, together with at least five years of work experiences			Conform to Independent Status (Note 1)								Number of Other Taiwan Public Companies Concurrently Serving as an Independence Status
		An instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Dept related to the Business Needs of the Company in a public or private Junior College, College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who has passed a National Examination and been Awarded a certificate in a Profession necessary for the Business of the Company	Have work Experience in the area of Commerce, Law, Finance, Accounting, or Otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	
Independent Director	Quincy Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	
Independent Director	Jim W.L. Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	
Other	Chia-Hwa Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	Retired on May 25, 2017.
Independent Director	Philip Wei			✓	✓	✓	✓	✓	✓	✓	✓	✓	Jun 8, 2017 on board.

Note 1: Remuneration Committee members during the two years before being elected or during the term of office. Meet any of the following conditions; please mark the appropriate corresponding boxes:

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

(2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. However, this does not include member of the remuneration committee acting on behalf of Article 7 based on the shares being publicly listed and trading at a commercial brokerage.

(8) Not been a person of any conditions defined by Article 30 of the Company Law.

2. Operations of Remuneration Committee

(1) Total 3 members of Remuneration Committee.

(2) Service Term: Jul 4, 2014 to May 25, 2017.

2 meetings took place during 2017, and attendance status as below:

Title Name	Attendance	In Person	By Proxy	Attendance Rate	Note
Chair	Jim W.L. Cheng	2	0	100%	
Member	Quincy Lin	2	0	100%	
Member	Chia-Hwa Lee	1	1	100%	Retired on May 25, 2017.
Member	Philip Wei	1	0	100%	Jun 6, 2017 on board.

Annotations:

I. The meeting minutes should clearly indicated Board meeting date, proposal details, decision, and opinions from Remuneration Committee when Board Meeting rejected or amended proposals from Remuneration Committee: No such incident.

II. The meeting minutes should clearly indicated Remuneration Committee decision, date of the meeting, proposal details, and all members' opinions when any of the members rejected or disagree with the decision: No such incident.

V. CSR Status

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Implementation of Corporate Governance				None.
(1)Does the Company have a corporate social responsibility policy and evaluate its implementation?	V		The Company has established "Corporate Social Responsibility Practice Guideline" and approved by board on Nov 8 2013 and amended on Nov 4 2016.	None
(2)Does the Company hold regular CSR training?	V		Please refer to Note1 in below.	
(3)Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?			The Company has established CSR office on Aug 1, 2014 as dedicated department to promote and handle CSR related issues and approved by board on Feb 9, 2015. CSR office reports to board on a regular basis.	
(4)Does the Company set a reasonable compensation policy, integrate employee appraisal with CSR policy, and set clear and effective incentive and disciplinary policies?			The Company will factor in employee performance, market average wages, and price index during annual wages review. Employees also subject to quarterly bonuses which was defined by Article of Incorporation. 5% - 7.5% of annual income before tax will be reserved as employee bonuses to share operation profits with employees to meet company CSR policy.	
2. Environmentally Sustainable Development				
(1)Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?			Please refer to Note 2 in below.	None.
(2)Has the Company set an Environmental management system designed to industry characteristics?			The Company has been certified with ISO14001 Environmental Management System in 2003, OHSAS18001 Occupational Health and Safety Management Systems in 2004, and IECQ QC080000 Hazardous Substance Process Management System in 2008.	
(3)Does the Company track the impact of climate change on operations, carry out			The Company has established Environmental Safety Department as dedicated department to promote and handle environmental safety related issues. Monitor all environmental safety operation in function. Established	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td>greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy</td><td></td><td></td><td>Environmental Safety Committee and meet regularly to review corporate safety and health related issue.
Since 2007, the Company has been voluntary disclose carbon emission and implement procedures to reduce carbon emission. Electricity consumption generated the majority of carbon emission. Many procedures were in place to reduce the waste of electricity.
Last 3 years of carbon emission details as below:
<table><tr><th>Item</th><th>2014</th><th>2015</th><th>2016</th></tr><tr><td>ton CO_2-e/year</td><td>348,439</td><td>262,913</td><td>277,641</td></tr></table></td><td rowspan="3"></td></tr>
<tr><td>3. Promotion of Social Welfare</td><td></td><td></td><td></td></tr>
<tr><td>(1)Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</td><td></td><td></td><td>The Company became a member of Electronic Industry Code of Conduct (EICC) since Apr 20, 2015. EICC founded in 2004 by a group of leading electronics companies, the EICC is a nonprofit coalition of electronics, retail, auto and toy companies committed to supporting the rights and wellbeing of workers and communities worldwide affected by the global electronics supply chain. EICC members commit and are held accountable to a common Code of Conduct and utilize a range of EICC training and assessment tools to support continuous improvement in the social, environmental and ethical responsibility of their supply chains.
Certified by SA 8000 (Social Accountability 8000 International Standard) in 2016.</td></tr>
<tr><td>(2)Has the Company established appropriately managed employee appeal procedures?</td><td></td><td></td><td>Please refer to Note 3 in below.</td><td>None.</td></tr>
<tr><td>(3)Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?</td><td></td><td></td><td>Please refer to Note 4 in below.</td><td>None.</td></tr>
<tr><td>(4)Has the Company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes which may cause significant impact to employees?</td><td></td><td></td><td>Employees can addressed their major concerns through Employee-Employer meeting and Employee welfare representatives. Meeting minutes were available on internal posting, website, and internal magazines.</td><td rowspan="3">None.</td></tr>
<tr><td>(5)Has the Company established effective career development training plans?</td><td></td><td></td><td>The Company has set up standardized on-job training programs for all levels of position to provide necessary knowledge and skills to improve work quality and personal growth for better position.</td></tr>
<tr><td>(6)Has the Company set polices and consumer appeal procedures in its R&D, purchasing, production, operations, and service processes?</td><td></td><td></td><td>The Company has established “Code of Business Conduct and Ethics” to guide R&D, procumbent, manufacturing, operation, and support departments about related party conflict of interests, data security, copyright violation, unfair competition.
Reporting illegal conduct channel has been set up and available on company website.</td></tr>
<tr><td>(7)Does the Company follow regulations and international standards in the marketing and labeling of its products and services?</td><td></td><td></td><td>Not applicable to the Company since PTI was not assembly final end products.</td><td>None.</td></tr>
<tr><td>(8)Does the company evaluate environmental and social track records before engaging with potential suppliers?</td><td></td><td></td><td>Annual review suppliers’ quality, delivery schedule, cost, and skills.
Review items included:
1.Quality Management System
2. Green product management system to eliminate environmental hazard raw materials.
3. Human rights of employees defined by EICC.
4. Occupational health and safety management systems.</td><td>None.</td></tr>
<tr><td>(9)Does the Company’s contract with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?</td><td></td><td></td><td>CSR policies were included in supplier contracts. If there is any significant violation of CSR of suppliers, the Company can terminate the service contracts.</td><td></td></tr>
</table>

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
4. Enhanced Information Disclosure Does the Company disclose relevant and reliable CSR information on its website and the Taiwan Stock Exchange website?			In additional to meet the regulation to post on MOPS, the Company has started to published CSR Report since 2013. CSR Report is available through the company website: (http://www.pti.com.tw/ptiweb/index.aspx)	
4.If the company has established its corporate social responsibility code of practice according to "Listed Companies Corporate Social Responsibility Code of Practice," please describe the operational status and differences. The Company has established "Corporate Social Responsibility Practice Guideline" and approved by board on Nov 8 2013 and amended on Nov 4 2016.				
6.Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: Please refer to Note 5 in below.				
7.Other information regarding "Corporate Responsibility Report" which is verified by certifying bodies: 2016 CSR Report was guided by Sustainability Reporting Guide version 4 published by Global Reporting Initiatives (GRI). 2016 CSR Report was certified by BSI, an independent agency, at the AA1000 AS Type II review standards. 2016 CSR Report was also certified by PWC at limited assurance guided by ISAE3000 standard.				

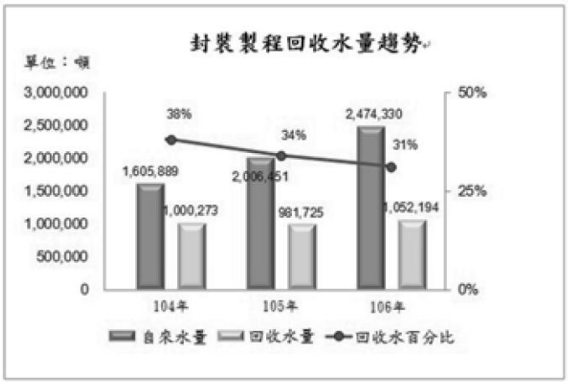
Note 1:2016 continue education details as below:

Category	Course	Number of Trainee
Legal Matters for Corporate Operation	Individual identity Security.	3,504
	Regulation of Trade Secret.	3,504
	Corporate Ethics Conduct.	3,504
	Training for new hire employees.	1,920
Human Rights	Introduction of RBA Regulation	146
	Introduction of SA8000	93
	Introduction of Human Resources Management Regulation	230
	Training for new hire employees. (including EICC behavior conduct, employee ethic conduct, SA8000)	1,920

2. Last 3 years energy usage details as below:

Item	2015	2016	2017
Waste Recycle (Tone)	695.5	708.6	612.1
Electronic Saving (kWh)	10,044,526	5,837,329	4,802,805
Waste Water Recycle(Tone)	1,000,273	981,725	1,052,194

2017 recycled 34% waste water during assembly process and 2016 recycled 38% waste water during assembly process.



1. Multiple communication channels were set up for improve quality and efficiency of communication between employer and employees. Channels including: website, quarterly internal magazine, regular meeting between employer and employees, suggestion box, bulletin board, and consultant advisors.
2. The Company has established health and environmental safety policy to provide a safe and healthy working area:
   a. Health and environmental safety policy including guidelines for employees, customers, and suppliers.
   b. The policy was guided by ISO14001 and OHSAS 18001.
   c. Monitor working hazard regularly and actual measurement in every 6 months.
   d. Specific training, procedures, and gears for individual who need to handle hazard materials during operation.
   e. the Company provide regular physical check up and psychological consultant on site with professional 3rd party.
   f. On job training of awareness, protection, and emergency procedures for hazard materials, carbon emission, and physical health.

VI. Status of Business Conduct and Ethics

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1)Does the company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team?	√		The Company's Board of Director has approved "Corporate Conduct and Ethics Policy" base on the guidance of "Public Company Conduct and Ethics Practice Principles" on April 30 2013, and approved the 1st amendment on Feb 9 2015.	
(2)Does the company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies?	√		The Company has established the following guidance: a. Prohibition against Providing or Accepting Improper Benefits b. Prohibition against and Handling Procedure for Facilitating Payments c. Avoidance of Conflict of Interest d. Procedures for Making Political Contributions, Charitable Donations or Sponsorships e. Procedures for Developing & Establishing Business Relationship f. Disclosure of Ethical Management Policy to the Public g. Prohibition against Insider Trading h. Prohibition against Disclosure of Confidential Information i. Prohibition against Infringement of Intellectual Property Rights j. Prohibition against Acts of Unfair Competition k. Preventing Products or Services from Damaging the Stakeholders	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3)Does the company establish appropriate compliance measures for the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities associated with high risk of unethical conduct?	√		Please refer to Note 1.	
2. Ethic Management Practice				
(1)Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	√		Please refer to Note 2.	
(2)Does the company set up a unit which is dedicated to or tasked with promoting the company's ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters?	√		The Company has set up a CSR Office on Aug 1, 2014 and dedicated to promote and enforce ethical practices and reported directly to the Board of Directors.	None.
(3)Does the company establish policies to prevent conflict of interests provide appropriate communication and complaint channels and implement such policies properly?	√		Employment contract stated all employees should avoid conflict of interests. Every employee every year signs "Agreement of Avoidance of Conflicts of Interest." starting from 2015. 2016 implement online training course for Code of Ethic and weighted in training scores with annual evaluation.	
(4)To implement relevant policies on ethical conducts, does the company establish effective accounting and internal control systems that are audited by internal auditor s or CPA periodically?	√		The Company has established comprehensive accounting and internal control procedures and reporting system.	
(5)Does the company provide internal and external ethical conduct training programs on a regular basis?	√		Please refer to Note 3.	
3. Implementation of Complaint Procedures				None.
(1)Does the company establish specific complaint and reward procedures, setup conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?			The Company has established communication channels and complaint reporting system. Dedicated personnel handle complaints and make sure whistleblower identity will remain anonymous.	
2)Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?			Please refer to Note 4.	
(3)Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?			The Company has established proper procedure to keep whistleblower identity anonymous and away from wrongful conducts.	
4. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?			The information and results of Code of Business Conducts and Ethics were available on MOPS and company website. http://www.pti.com.tw/ptiweb/policy/Code of Business Conducts and Ethics.pdf http://www.pti.com.tw/ptiweb/G0053.aspx?p=G&c=G5	None.
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation. PTI has established the Code to require that all employees, officers and board members comply with the Code and the other policies and procedures. There is no discrepancy between the Code, including its affiliate policies and procedures, and its implementation. For more details, please refer to "Code of Business Conduct and Ethics" from the company website.				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy). Board has approved the 1st amendment on Feb 9, 2015 for Code of Business Conduct and Ethics.				

Note:

1. The Company has placed the flowing procedures in place for business activities with higher risk of ethical conducts defined by Article 7 Item 2 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies:

   a. Standard procedures and guidance for behaviors to avoid violate code of ethics.

   b. Set up internal balancing structure to eliminate risk of unethics conducts.

   c. Promote the code of ethics and aware the consequences of violation.

   d. Standard procedures for whistle blowing and investigation.

   e. Evaluation of procedures and results.

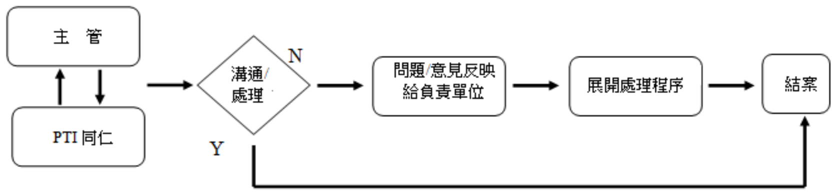
   f. Quantified management results and makes data available on company website, annual report, and MOPS.

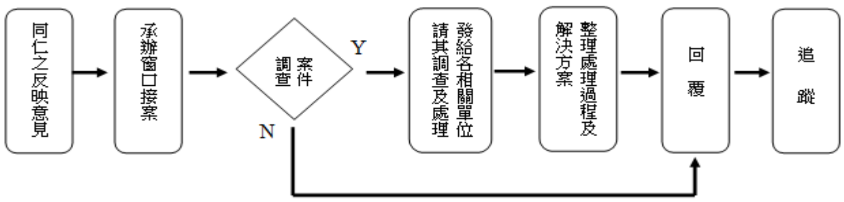
2. Evaluation for risk of ethic conducts before engaged with suppliers.

3.2017 Code of Business Conduct and Ethics Training Details:

Type of Employee	Course	Number of Employees
New Hired	Training for new hire employees.(Including data security, and code of ethics)	3,000
Existing	Legal principal of patent usage.	87
	Individual identity Security.	76
	Law of Trade Secret.	75
	Corporate Ethics Conduct.	110

4.
處理程序：





VII. Posting of Code of Business Conduct and Ethics:

Information for Code of Business Conduct and Ethics can be found on:

MOPS website: http://mops.twse.com.tw

Company website: http://www.pti.com.tw

VIII. Other Significant Information Regarding Code of Business Conduct and Ethics:

None.

(IV) Internal Control System Execution Status

1. Statement of Internal Control System

Powertech Technology Inc.

Statement of Internal Control System

Mar 16, 2018

Based on the findings of a self-assessment, Powertech Technology Inc. (PTI) states the following with regard to its internal control system during the year 2017:

1. PTI's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and PTI takes immediate remedial actions in response to any identified deficiencies.
3. PTI evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.
4. PTI has evaluated the design and operating effectiveness of its internal control system according to the aforesaid regulations.
5. Based on the findings of such evaluation, PTI believes that, on December 31, 2017, we have maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of PTI's Annual Report for the year 2017 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on Mar 16, 2018, with none of the ten attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Powertech Technology Inc.

Chairman: D.K. Tsai

President: J. Y. Hung

2. For entrusted to CPA for auditing and reviewing international control, should disclose the CPA's audited report: None.

(X) In the most recent year and as of publication date of this annual report, incident of company or staff being penalized, staff violating internal audit system and being penalized, major defects and status for improvements: None.

(XI) Major conclusions of board and shareholders meeting:

1. Shareholder Meeting Major Conclusion and Execution

Date	Type of Meeting	Major Conclusion
May 26, 2017	Annual Shareholder Meeting	1. Reviewed 2016 Business Report and Financial Reports. 2. Approved 2016 profit sharing distribution proposal. NT$3.28 cash distribution on Sep 6, 2017 for shareholders holding position on Aug 7, 2017. 3. Approved return of additional in capital in cash. Cash distribution on Sep 5, 2017 for shareholders holding position on Aug 7, 2017. 4. Amended Article of Incorporation of operation description and completed registration on Jun 16, 2017. 5. Amended Procedure of Assets Acquisition and Disposal, and complied with regulation and posted updated procedure on MOPS and company website on Jun 7, 2017. 6. 8th Term Board and Independent Director Elected: Board of Director: D.K. Tsai, J.Y. Hung , Kingston Technology Investment Account Rep: Shigeo Koguchi, Daphne Wu, J.S. Leu, and Evan, Toshiba Memory Semiconductor Taiwan Corp. Rep: Tohru Yoshida Independent Director: Jim W.L. Cheng, Quincy Lin, Philip Wei, and Pei-Ing Lee Election results were published on May 26, 2017 after the Annual Shareholder Meeting and registration approved on Jun 16, 2017. Information also posted on company website. 7. Removed Board of Director non-compete clause. Information was published on MOPS on May 26, 2017 after the Annual Shareholder Meeting.

2. Board Meeting Major Conclusion and Execution

Date	Type of Meeting	Major Conclusion
Feb 22, 2017	Board Meeting (7th Term 18th meeting)	1. Approved 2016 Business Operation Report. 2.Approved 2016 Profit Sharing Proposal. 3. Approved cash distribution of additional paid-in capital proposal. 4. Approved 2016 compensation plan for Board and employees. 5.Approved 2016 Statement of Internal Control System. 6.Approved amendment of Article of Incorporation. 7. Approved increase credit limit with banks. 8.Approved credit limit of foreign currency trade proposal. 9. Authorized endorsement letter for subsidiaries lending from banks. 10.Approved amended Procedure of Assets Acquisition and Disposal. 11. Approved management compensation proposal. 12. Reviewed independence of CPA. 13. Approved re-election Board of Directors proposal. 14. Removed Board of Director non-compete clause. 15. Approved 2017 shareholder meeting proposal.
Apr 14, 2017	Board Meeting (7th Term 19th meeting)	1. Reviewed Board of Director (including Independent Director) nomination by shareholders. 2. Approved increase investment of Powertech Tecnology Japan Ltd.

Date	Type of Meeting	Major Conclusion
		proposal. 3. Approved acquired Tera Probe Inc via public tender offer by Powertech Technology Japan Ltd. proposal. 4. Approved acquired 100% of Micron Akita Inc by Powertech Technology Japan Ltd. proposal. 5. Approved donation to PTI Education Foundation proposal.6.
May 5, 2017	Board Meeting (7th Term 20th meeting)	1.Presented 1Q17 financial reports. 2.Approved credit application with financial institutions. 3.Approved credit limit for foreign currency trades. 4. Authorized endorsement letter for subsidiaries lending from banks.
Jun 8, 2017	Board Meeting (8th Term 1st meeting)	1.Approved Chairman elected. 2. Approved 2nd Term of Audit Committee appointed. 3. Approved 3rd Term of Remuneration Committee appointed. 4.Approved increased of domestic share issued. 5.Approved 2016 profit distribution date proposal.
Aug 8, 2017	Board Meeting (8th Term 2nd meeting)	1.Presented 2Q17 financial reports. 2.Approved Board of Director Transportation Compensation proposal. 3. Approved Independent Director Compensation proposal 4. Approved 2016 management compensation proposal. 5. Approved recruitment of management proposal. 6. Removed management for no-compete clause. 7. Approved amendment of guidance for Legal Representative Director selection. 8.Approved endorsement and guarantee for subsidiary. 9. Authorized endorsement letter for subsidiaries lending from banks. 10. Approved credit application with financial institutions 11. Approved credit limit for foreign currency trades.
Nov 1, 2017	Board Meeting (8th Term 3rd meeting)	1.Presented 3Q17 financial reports. 2.Approved 2018 Internal audit plan proposal, 3. Approved credit application with financial institutions. 4. Approved credit limit for foreign currency trades. 5. Authorized endorsement letter for subsidiaries lending from banks.
Jan 30, 2018	Board Meeting (8th Term 4th meeting)	1.Approved 2018 Business operation proposal. 2.Approved amendment of Board Meeting Guidance and Audit Committee Guidance 3.Approved amendment of Remuneration Committee Guidance.
Mar 16, 2018	Board Meeting (8th Term 5th meeting)	1.Approved 2017 business operation report and financial reports. 2.Approved 2017 dividends proposal. 3.Approved 2017 Board of Director and employees annual compensation. 4.Approved assistance to set up Employee Stock Ownership Trust. 5.Approved management compensation proposal. 6.Approved 2017 Internal Control Declaration and reviewed the results of 2017 Internal Control execution. 7. Approved credit application with financial institutions. 8. Approved credit limit for foreign currency trades. 9.Approved financial endorsement for subsidiary loan application. 10. Approved endorsement and guarantee for subsidiary.

Date	Type of Meeting	Major Conclusion
		11. Authorized endorsement letter for subsidiaries lending from banks. 12. Approved increase domestic shares issue. 13. Reviewed independence of CPA. 14.Approved 2018 shareholder meeting proposal.
May 4, 2018	Board Meeting (8th Term 6th meeting)	1. Presented 1Q18 financial reports. 2.Approved financial endorsement for subsidiary loan application.

(XII) Different opinions from board or supervisor regarding major decision of board: None.

(XIII) Termination of chairman, president, head of accounting, head of finance, head of internal control, or head of R&D as the date of report printing: None.

V. Professional Audit Services Information

CPA Firm	Name of CPA		Audit Period	Note
Deloitte & Touche LLP	Yu Feng Huang	Su-Li Fang	Jan 1, 2017 ~ Dec 31, 2017	

Unit: NT$

Range amount \ Items		Audit Fees	Non-Audit Fees	Total
1	Less than $2,000,000			
2	$2,000,000 to $3,999,999			
3	$4,000,000 to $5,999,999			
4	$6,000,000 to $7,999,999	V	V	
5	$8,000,000 to $9,999,999			
6	$10,000,000 or above			V

(1) The amount paid to CPA accountant, accounting firm, and related industries for non-audited fees over 25%, should disclose the audited and non-audited amount and the content of non-audited service items.

Unit: NT$ Thousands

CPA Firm	Name of CPA	Audit Fee	Non-Audit Fee					Audit Period	Note
			System Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche LLP	Hung-Peng Lin Su-Li Fang Yu-Feng Huang	7,600	0	0	0	6,690	6,690	Jan 1 - Dec 31 2017	Other non-audit fees including: investment of Japan operations. NT$5,896K, transfer pricing report fees NT$350K, deduction and balance of audit fee NT$150K, disbursements of accountants photocopying charges and audit personnel fares NT$294K.

(2) If change CPA firm and the amount paid for audited fee currently is less than previous year's audited fees, should disclose the amount of audited fee reduction, proportion, and reason: None.

(3) If the audited fee is reduced by over 15% of previous year, should disclose the amount of audited fee reduction, the proportion, and reason: None.

6. **Change of Accountant**

As the end of Mar 2018, no change of accountant.

(3)**Reply by predecessor CPA regarding Article 10, Subparagraph 10, Item 1 and Item 2-3 of this guideline:** None.

7. **Chairman, CEO, Head of Financial or Accounting Dept – Information Relating to Serving at Accounting Firm of CPAs or related companies:** None.

8.Changes in Shareholding and Changes in Pledge of Shares by Board of Directors, Independent Directors, Managers, and Shareholders owning more than 10% of company shares in most recent year and as of publication date of annual report

(1) Changes in Shareholding and Changes in Pledge by Board of Directors, Independent Directors, Managers holding more than 10% of company shares

Unit: Shares

Title	Name	2017		As of Apr 30, 2018	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	D.K. Tsai	0	–	0	–
Director	KTC-TU Corp.(Note) Rep.:Daphne Wu, Evan Tseng	0	0	–	–
Director	KTC-SUN Corp.(Note) Rep.：JY Hung, Shigeo Koguchi	0	0	–	–
Director	Kingston Technology Corp. Investment Account Rep: Shigeo Koguchi, Daphne Wu, J.S. Leu, Evan Tseng	0	–	0	–
Director	Toshiba Semiconductors Taiwan Corp. Rep.: Tohru Yoshida	0	–	0	–
Independent Director	Quincy Lin	0	–	0	–
Independent Director	Jim W.L. Cheng	(90,000)	–	0	–
Independent Director	Philips Wei	0	–	0	–
Independent Director	Pei-Ing Lee (Note)	0	–	0	–
Director & President	J.Y. Hung	(25,000)	–	0	–
Manager	J.S. Leu	(27,000)	–	0	–
Manager	John Wang	(18,000)	–	0	–
Manager	K.J. Chan	(15,000)	–	0	–
Manager	Steven Shen	(75,000)	–	(5,000)	–
Manager	John Chang	(24,000)	–	0	–
Manager	Peter Lai	(5,000)	–	(2,000)	–
Manager	Tonwey Cheng	0	–	–	–
Manager	Y.C. Chen	0	–	0	–
Manager	Wilber Wu	(67,000)	–	(5,000)	–
Manager	Phu Le	0	–	0	–
Manager	Y.C. Chi	(60,000)	–	0	–
Manager	Paul Wu	(14,000)	–	0	–
Manager	David Fang	0	–	(43,000)	–
Manager	Perry Lin	(9,000)	–	0	–
Manager	Vic Chen	0	–	0	–
Manager	Gary Chang	0	–	0	–
Manager	Victor Tung	0	–	0	–
Finance & Accounting Manager	Evan Tseng	(39,000)	–	0	–

Note : All the Board of Directors and Independent Directors were elected in 2017 Shareholders' Meeting, one additional Board of Director and one additional Independent Director were elected in 2017 Annual Shareholders' Meeting. KTC-TU Corporation and KTC-SUN Corporation were retired after the 2017 election.

(2) Stock Trade or Stock Pledge with Related Party: None.

9. Information on Top 10 Shareholders of company shares who are spouses or within Second-degree Relative of Consanguinity to Each Other:

Apr 10, 2018

Name	Shareholding		Spouse & Minor Children		PTI Shareholding by Nominee Arrangement		Name and Relationship Between PTI's Top 10 Shareholders as Defined in the Statement of Financial Accounting Standards No. 6		Note
	Shareholding	%	Shareholding	%	Shareholding	%	Title (or Name)	Relationship	
Hermes Investment Funds Public Limited Company	33,966,990	4.36%	–	–	–	–	None	–	–
Investment Account of Kingston Technology Corporation	29,875,000	3.83%	–	–	–	–	KTC-TU Corp. and KTC-SUN Corp.	The reps. of the two companies and the CEO and VP. of the shareholder are the same person	–
KTC-TU Corp. Rep.: John Tu	19,977,554 0	2.56% 0.00%	–	–	–	–	Investment Account of Kingston Technology Company	The CEO of that company and the rep. of that shareholder is the same person	–
New Labor Pension Fund	18,879,200	2.42%	–	–	–	–	None	–	–
Public Service Pension Fund Management Committee	16,321,000	2.09%	–	–	–	–	None	–	–
KTC-SUN Corp. Rep.: David Sun	15,665,362 0	2.01% 0.00%	–	–	–	–	Investment Account of Kingston Technology Company	The CEO of that company and the rep. of that shareholder is the same person	–
Fubon Life Insurance Co. Ltd. Rep: Richard M. Tsai	15,000,000 0	1.93% 0.00%	–	–	–	–	None	–	–
Government of Singapore--GOS-EFM	14,888,000	1.91%	–	–	–	–	None	–	–
Nan Shan Life Insurance Co. Ltd. Rep: Y. T. Du	13,717,000 0	1.76% 0.00%	–	–	–	–	None	–	–
Vanguard Emerging Markets Stock Index Fund	11,774,000	1.51%	–	–	–	–	None	–	–

10. Shareholding Information Regarding the Same Invested Company of Company, Company's Board of Directors, Committee Members, Managers, and Businesses That Are Directly or Indirectly Controlled By Company

Units: Shares; %

Invested Company (note)	Investment by Powertech Technology Inc.		Investments directly or indirectly controlled by Directors, Committee members, managers, and company		Combined Investments	
	Shareholding	%	Shareholding	%	Shareholding	%
TeraPower Technology Inc.	65,439,500	49.00%	68,110,500	51%	133,550,000	100.00%
Powertech Holding (BVI) Inc.	50,000	100.00%	0	0%	50,000	100.00%
Greatek Electronics Inc.	244,064,379	42.91%	0	0%	244,064,379	42.91%
Powertech Technology (Singapore) Pte. Ltd.	85,000,000	100.00%	0	0%	85,000,000	100.00%
Powertech Technology Japan Ltd.	0	100.00%	0	0%	0	100.00%

Note: Investment using Equity Method Evaluation.

IV. Capital and Shares

1. Capital and Shares

(1) Sources of Capital

1. Capitalization

Month / Year	Issue Price Per Share (NT$)	Authorized Share Capital		Capital Stock		Remark		
		Shares (thousand shares)	Amount (NT$ thousands)	Shares (thousand shares)	Amount (NT$ thousands)	Sources of Capital	Capital Increase by Assets Other than Cash	Others
5/1997	10	200,000	2,000,000	60,000.0	600,000	Company established, with paid-in Capital of NT$ 600 million	None	None
4/1998	12	200,000	2,000,000	120,000.0	1,200,000	Cash Injection of NT$ 600 million	None	Note1
5/1999	11	200,000	2,000,000	200,000.0	2,000,000	Cash Injection of NT$ 800 million	None	Note2
8/2001	10	280,000	2,800,000	221,800.0	2,218,000	Surplus and Capital Reserve Capital Increase of NT$ 218 million	None	Note3
9/2002	10	280,000	2,800,000	235,222.9	2,352,229	Capitalization of retained earnings of NT$ 134.229 million	None	Note4
9/2002	11.5	280,000	2,800,000	246,312.9	2,463,129	Cash Injection of NT$ 110.9 million	None	Note5
9/2003	10	280,000	2,800,000	261,250.0	2,612,500	Capitalization of retained earnings of NT$ 149.371 million	None	Note6
9/2004	10	440,000	4,400,000	308,000.0	3,080,000	Capitalization of retained earnings of NT$ 467.5 million	None	Note7
9/2004	43	440,000	4,400,000	338,000.0	3,380,000	Cash Injection of NT$ 300 million,	None	Note8
6/2005	10	580,000	5,800,000	400,500.0	4,005,000	Capitalization of retained earnings of NT$ 625 million	None	Note9
6/2006	10	580,000	5,800,000	471,000.0	4,710,000	Capitalization of retained earnings of NT$ 705 million	None	Note10
6/2007	10	580,000	5,800,000	556,300.0	5,563,000	Capitalization of retained earnings of NT$ 853 million	None	Note11
6/2008	10	750,000	7,500,000	630,800.0	6,308,000	Capitalization of retained earnings of NT$ 745 million	None	Note12
7/2009	10	750,000	7,500,000	669,385.2	6,693,852	Capitalization of retained earnings of NT$ 385.852 million	None	Note13
5/2010	60.6	750,000	7,500,000	704,236.7	7,042,367	Conversion into common shares by convertible bonds of NT$ 348.515 million	None	Note14
9/2010	58.4	750,000	7,500,000	715,366.8	7,153,668	Conversion into common shares by convertible bonds of NT$ 111.301 million	None	Note15
12/2010	58.4	750,000	7,500,000	726,496.9	7,264,969	Conversion into common shares by convertible bonds of NT$ 111.301 million	None	Note16
8/2011	10	1,000,000	10,000,000	799,146.6	7,991,466	Capitalization of retained earnings of NT$ 726.497 million	None	Note17
8/2011	10	1,000,000	10,000,000	779,146.6	7,791,466	Note Purchased of company’s treasury stocks, with a capital reduction of NT$ 200 million	None	Note18

Note1：2/17/1998 MOF (1) No. 18910
Note2：3/2/1999 MOF (1) No. 22357
Note3：6/21/2001 MOF (1) No.139798
Note4：7/10/2002 MOF (1) No.0910137911
Note5：7/10/2002 MOF (1) No.0910137913
Note6：7/8/2003 MOF (1) No.0920130303
Note7：6/25/2004 MOF (1) No.0930128233
Note8：7/6/2004 SEC (1) No. 0930128234
Note9：6/24/2005 FSC (1) No. 0940125391
Note10：6/27/2006 FSC (1) No.0950126720
Note11：6/28/2007 FSC (1) No.0960032903
Note12：6/25/2008 FSC (1) No.0970031487
Note13：7/2/2009 FSC (1) No.0980032960
Note14：5/5/2010 YST No.09901091340
Note15：9/21/2010 YST No.09901214270
Note16：12/31/2010 YST No.09901291530
Note17：8/31/2011 YST No.10001183300
Note18：8/27/2012 YST No.10101177670

2. Capital and Shares

Unit: Shares

Type of Stock	Authorized Share Capital			Note
	Shares Outstanding	Unissued Shares	Total	
Common Stock	779,146,634	220,853,366	1,000,000,000	TSE Listed

3. Total reporting and filing related information: Not applicable

(2) Composition of Shareholders

Apr 10, 2018

Shareholder Composition / Amount	Government Agencies	Financial Institution Investor	Other Institutional Investor	Domestic Individual Investor	Foreign Institution & Individual Investor	Total
Number of Shareholders	5	25	252	30,343	768	31,393
Shareholding	45,162,000	57,169,000	37,245,348	89,722,181	549,848,105	779,146,634
Holding (%)	5.80%	7.34%	4.78%	11.51%	70.57%	100.00%

(3) Distribution Profile of Share Ownership

Apr 10, 2018; Unit: Shares

Shareholder Ownership (Unit: Share)	Number of Shareholders	Shares Owned	Ownership (%)
1 ～ 999	16,690	1,334,037	0.17%
1,000 ～ 5,000	10,860	21,926,453	2.81%
5,001 ～ 10,000	1,664	12,596,090	1.62%
10,001 ～ 15,000	540	6,748,195	0.87%
15,001 ～ 20,000	297	5,381,139	0.69%
20,001 ～ 30,000	306	7,716,799	0.99%
30,001 ～ 50,000	276	10,876,664	1.40%
50,001 ～ 100,000	230	16,518,677	2.12%
100,001 ～ 200,000	176	25,412,693	3.26%
200,001 ～ 400,000	108	30,734,776	3.95%
400,001 ～ 600,000	61	29,238,934	3.75%
600,001 ～ 800,000	26	17,690,656	2.27%
800,001 ～ 1,000,000	29	25,876,458	3.32%
1,000,001 or more	130	567,095,063	72.78%
Total	31,393	779,146,634	100%

(4) **Major Shareholders**

Apr 10, 2018

Shareholding / Name of Major Shareholders	Total Shares Owned	Ownership (%)
Hermes Investment Funds Public Limited Company	33,966,990	4.36%
Investment Account of Kingston Technology Corporation	29,875,000	3.83%
KTC-TU Corp.	19,977,554	2.56%
New Labor Pension Fund	18,879,200	2.42%
Public Service Pension Fund Management Committee	16,321,000	2.09%
KTC-SUN Corp.	15,665,362	2.01%
Fubon Life Insurance Co. Ltd.	15,000,000	1.93%
Government of Singapore--GOS-EFM	14,888,000	1.91%
Nan Shan Life Insurance Co. Ltd.	13,717,000	1.76%
Vanguard Emerging Market Stock Index Fund	11,774,000	1.51%

(5) Net Worth, Earnings, Dividends, Market Price per Common Share, and Related Information Over the Last Two Years

Unit: Thousand Shares/NT$

Item	Year	2016	2017	As Of Apr 30, 2018 (Note 8)
Market Price Per Share	Highest Market Price	92.50	105.50	97.30
	Lowest Market Price	62.50	82.90	84.80
	Average Market Price	75.91	91.31	91.27
Net Worth Per Share (Note2)	Before Distribution	45.97	48.85	-
	After Distribution	41.97	-	-
Earnings Per Share	Weighted Average Shares	779,147	779,147	-
	Earnings Per Share (Note3)	6.20	7.51	-
Dividends Per Share	Cash Dividends	4.0	(Note1) 4.5	-
	Stock grants -	-	-	-
	Stock grants -	-	-	-
	Accumulated Undistributed Dividend (Note4)	-	-	-
Return on Investment	Price/Earnings Ratio (Note5)	12.24	12.16	-
	Price/Dividend Ratio (Note6)	18.98	(Note1) 20.29	-
	Cash Dividend Yield (Note7)	5.27%	(Note1) 4.93%	-

Note: 2016 dividends distribution NT$3.28 in cash and NT$0.72 from additional paid-in capital. 2017 dividends distribution NT$4.50 in cash.

Note 1: Pending on shareholders' approval.

Note 2: Based on shares issued at yearend and completed after resolution by shareholders' meeting the following year.

Note 3: If there are stock grants that must be adjusted retroactively, should list the EPS before and after adjustment.

Note 4: if the terms of issuance of securities have accumulated dividends that are not paid until there are earnings, must disclose separately the accumulated dividends that are unpaid for current year.

Note 5: Price/Earnings Ratio = Average Market Price/ Earnings per Share

Note 6: Price/Dividend Ratio = Average Market Price/Cash Dividends per Share

Note 7: Cash Dividend Yield = Cash Dividends per Share/Average Market Price

Note 8: The net worth per share and earnings per share should be provided based on the last quarter audited by CPA as of printing of annual report; information for other items should be provided based on information from current year up till the printing of annual report.

(6) Company's Dividend Policy and Implementation Status

1. Stock Dividend Policy:

Powertech Technology Inc. belongs to a capital intense industry. Thus, the stock dividend payout policy must consider the factors such as company's current and future investment environment, capital needs, market competition, and capital expenditures, etc. Under the consideration of balancing shareholders' & committee members' benefits, dividends paid, and the long term financial planning of the company, the payment of dividends will be in the form of cash and/or stock with cash dividends greater than 20% of total amount of dividends being distributed.

2. The dividend distribution status:

(1) The payout ratios were about 50% (about 80% in cash and 20% in stocks) during year of 2003 to 2010.

(2) The payout ratios were increased to about 67% (all cash) after year 2011 and going forward. In year 2013, NT$2 cash dividends were paid from capital reserved with net

loss from legislative settlements.

(3) Powertech Technology Inc. proposed to pay $4.50 cash in per share which was about 60.0% of 2017 profit earning.

3. 2017 dividend distribution status:

PTI proposed to pay NT$3,506,159,853 (NT$4.50 per share) in cash from 2017 earnings

Actual distribution subject to shareholders' approval.

(7) The impact of the proposed stock grants at this shareholders' meeting on the Company's operating performance and earnings per share:
There is no stock grant proposals for the earnings distribution for 2017.

(8) Employee Profit Sharing and Directors' & committee members' compensation

1. The Company's Article of Incorporation states information regarding the amount and scope of employee profit sharing and Directors' & committee members' compensation.

The principal of distribution from the Company's annual net income are:

(1) Make up for losses from previous years at top of priority.

(2) 5%-7.5% employee compensation and less than 1.5% for Board compensation should be reserved from operating income before tax.

(3) Employee compensation could be in cash or stock and employees included all subsidiaries defined by Board. Board compensation can only be in cash. Independent directors were paid monthly and were excluded from the annual board compensation plan.

2. This period's basis of estimating the employee profit sharing and Directors' & committee members' compensation distribution of stock grants' share calculation basis and the accounting handling of the actual distributed amount being different from estimated amount.

The basis for estimating the employee profit sharing and Directors' & committee members' compensation is based on the annual net income. If the actual resolution for distribution by the shareholders' meeting is different from the estimated amount, then it will be viewed as changes in estimation and accounted into annual profit or losses of the distribution year.

3. The board meeting on Mar 16, 2018 approved the 2017 distribution of employee profit sharing and directors' compensation proposal and details in below:

(1)5.39% of operating income before tax for employees profit sharing (NT$394,825,197) and 1.08% of operating income before tax for directors' compensation (NT$78,965,039) distributed in cash and no discrepancy with estimation made in 2017.

(2)The ratio of employees profit sharing distributed in stock: Not Applicable.

4.Actual distribution of previous year employees profit sharing and directors compensation:

	Amount (NT$)
Employee profit sharing－ in cash	326,335,828
Directors' compensation － in cash	65,267,166
Total	$ 325,281,076

No discrepancy with board approval.

(9) Buyback of Common Stock: None.

2. Issuance of Corporate Bonds: None.

3. Issuance of Preferred Shares: None.

4. Issuance of Global Depositary Receipts

Apr 30, 2018

Item / Date Issued			Jan 23, 2006	Feb 10, 2006
Issuance & Listing			Bourse de Luxembourg	
Total Amount (US$)			103,650,000	12,092,500
Offering Price Per DR (US$)			6.91	
Units Issued			15,000,000 at first issuance	1,750,000 units at follow-up issuance
Underlying Securities			No more than 33,500,000 PTI common shares held by selling shareholders to serve as underlying securities of the overseas depository receipts.	
Common Shares Represented			30,000,000 shares	3,500,000 shares
Rights & Obligations of DR Holders			The rights and obligations of the overseas depository receipt holders, such as voting rights, dividends, shares preferential subscription rights and other rights and interests, are based on the applicable laws of the Republic of China and the relevant provisions of the Depositary Agreement.	
Trustee			None	
Depositary Bank			JP Morgan Chase Bank	
Custodian Bank			JP Morgan Chase Bank, Taipei Branch	
DR Outstanding			69,262 DR units	
Apportionment of Expenses for Issuance & Maintenance			Issuance: including but not limited to, underwriting fees, legal fees, listing fees, accountant fees, financial advisory fees and any other related costs. Unless otherwise specified by law, and other regulations by the issuer, the underwriter, the selling shareholder and the depository institution, the obligation to include the annual listing fees, information disclosure and other expenses rests with the selling shareholder(s). Maintenance: Unless otherwise specified by law, and other regulations by the issuer, the underwriter, the selling shareholder and the depository institution, the obligation to include the annual listing fees, information disclosure and other expenses rests with the Company.	
Terms and Conditions in the Deposit Agreement & Custody Agreement			Depositary Agreement: 1. Sale / delivery 2. Information available 3. Depository Receipts original issue, redeem and re-issue 4. Dividends, other distributions and stock options 5. Registration reference date 6. Voting rights 7. Transfer 8. Original changes securities 9 Taxes 10. Amendments and Termination Custodian Agreement: 1. Deliver securities to the original issuance of DR 2. Notify depository institution issuing depository receipts 3. DR against the securities back to the time of the original delivery 4. Monthly billing to confirm the number of shares 5. the Number of shares registered confirmed on base date.	
Market Price Per Share	2017	Highest Market Price	US $ 6.926	
		Lowest Market Price	US $ 5.250	
		Average Market Price	US $ 6.018	
	As Of Apr 30, 2018	Highest Market Price	US $ 6.650	
		Lowest Market Price	US $ 5.750	
		Average Market Price	US $ 6.236	

5. Status of Employee Stock Option Plans and Employee Restricted Stocks: None.

6. Status of New Share Issuance in Connection with Merger and Acquisitions: None.

7. Financing Plans and Implementation

As of Mar 31, 2018, there are no situation of incomplete previous issuances and private placement of securities or complete plans whose benefits are not realized.

V. Operational Highlights

1. Business Activities

1. Business Scope

1. Main Business Scope:

(1) Testing Service for Integrated Circuit (IC) and Semiconductor Components.

(2) Development, Design and Sales of automated testing software for Integrated Circuit (IC) and Semiconductor Components.

(3) Design, Manufacture and Sales of High Frequency Prob cards

(4) CC01080 Electronic Parts and Components Manufacturing

(5) F401030Manufacture export

(6) ZZ99999All business items that are not prohibited or restricted by law, except those subjected to special approval.

2. Revenue Proportion：

Established in May 1997, the Company's primarily provides Integrated Circuit (IC) packaging and testing services. Revenue proportion as of 2017 is as followed：

Unit：NT 1,000s

Items	Net Revenue 2017	Revenue Proportion
Packaging Service	38,748,327	64.98%
Testing Service	12,409,184	20.81%
Wafer Level Packaging	3,979,172	6.67%
Wafer Level Testing	4,211,170	7.06%
Others	284,230	0.48%
Total	59,632,083	100.00%

3.Current Product/Services：

(1)High Pin-count Thin Small Outline Package (TSOP) packaging and testing services

(2)Quad Flat No-leads (QFN) Packaging Services

(3)Multi-Chip Packaging (MCP, S-MCP) Packaging and Testing Services

(4)Ball Grid Array (wBGA, FBGA) IC packaging and testing services

(5)Secured Digital Memory Card (SD, microSD)，USB packaging and testing services

(6)Solid State Drive(SSD)、Embedded Memory (eMMC, eMCP, UFS) packaging and testing services

(7)DRAM Chip-Stacking packaging and testing services

(8)Mobile Memory packaging and testing services

(9)Wafer Testing services

(10) Wafer Bumping (Bumping) packaging service

(11) Copper Piller Bump (CPB) Wafer testing services

(12) System-in-Packag (SiP) packaging services

(13) Redistribution Layer (RDL) service

(14) Wafer Level Chip Scale Package (WLCSP) packaging services

(15) Package on Package / Package in Package(PoP, PiP) packaging and testing services

(16) Micro-electro-mechanical systems (MEMS) packaging services

(17) CMOS Image Sensor (CIS)packaging and testing services

(18) Flip-Chip Chip Scale Package (FC CSP) Packaging Services

(19) Packaging service with laminate substrate

(20) Through-Mold-Via Technology development for chip-stacking requirement in packaging services

(21) Copper Pillar Bump Flip Chip (Cu Pillar Bump Flip Chip) packaging services

(22) CMOS Image Sensor (CIS) packaging Services

(23) Electro Magnetic Interference (EMI) shield package packaging services

(24) Wafer level Fan-Out packaging and testing service

(25) Panel level Fan-Out packaging and testing service

(26) LPDDR3 KGD testing service

4. Product/Service in Development：

(1)Wafer-Level Packaging for mobile memory

(2)3D IC Packaging and testing services

(3)Embedded Chip packaging service

(4)Wafer Stack packaging service

(5)Solid State Drive System in Package (SiP) service

(6)Development of new HiFix testing PCB for new eMCP221b/xLGA60 NAND machine hardware

(7)Development of new HiFix testing PCB for256b LPDDR2、eMCP221b/426b/261b/456b LPDDR3 & 450b LPDDR4 related machine hardwa

(8)Fan-Out packaging services

2. Industry Summary

1.Current Industry Status & Outlook

According to World Economic Outlook Report published by the International Monetary Foundation (IMF) in January 2018, Global GDP in 2017 continued to grow at 3.7% in comparison to 2016. The IMF also forecasted World Economic Growth Rate in 2018 at 3.9%

while acknowledging risks from factors such as tightening monetary policy by developed countries, heightening trade protectionism and financial market fluctuations. IMF revised its forecasts of US economic growth in 2018 upwards from 2.3% to 2.7%. Eurozone growth forecast was revised upwards to 2.2% from 1.9% while forecast for Japanese economic growth was revised upwards to 1.2% from 0.7%. In the meantime Chinese economic growth forecast was revised upwards from 6.5% to 6.6%

As global macroeconomic growth remains stable, international market research organization Gartner revised its global semiconductor market growth forecast upwards from 16.9% in early 2017 to 19.7% and 22.2% in October 2017. Global semiconductor market scaled reached US$419.7 billion in 2017. Gartner forecasted 7.5% growth in global semiconductor market in 2018. Growth is forecasted to slow down over the next 3 years with forecasted growth rate at -1.6% in 2019, 1.1% in 2020 and 6.4% in 2021. By 2021, global semiconductor market scale is estimated to reach US$ 477.7 billion.

Taiwanese semiconductor industrial structure has gradually developed into vertical chain of supply starting at foundry level. Supply chain includes IC Design, IC manufacturing, IC packaging and IC testing. Due to vertical chain of supply and industrial clustering effect Taiwanese IC industry consist primarily of IC manufacturing sector, mainly Wafer foundries and DRAM manufacturing. This also gives Taiwanese IC industry competitive advantage with flexibility and speed and cost. Market share and output value of Taiwanese Wafer Foundry and Outsourced Assembly and Testing (OSAT) sector both ranked top globally in 2017. In 2017 Market share and output value of Taiwanese IC Design sector ranked second globally, behind the US.

According to the Industrial Economics & Knowledge (IEK) published by Industrial Technology Research Institute, overall output value of Taiwanese IC industry (including IC design, IC manufacturing, IC packaging, IC testing) reached NT$675.5 billion (US$22.2 billion) in Q4 2017 (4Q17) growing 5.1% from previous quarter (3Q17) and 4.9% Year over Year (4Q16). Output Value of IC Design sector was NT$160.8 billion (US$ 5.3billion), showing 3.1% decline from previous quarter (17Q3) and 0.6% growth year over year (4Q16). Output value of IC manufacturing sector was NT$ 389 billion (US$12.8 billion), growing 10.4% from previous quarter (3Q17) and 7.9% year over year (4Q16). Output value of Wafer foundries were NT$343 billion (US$11.3 billion), growing 10.5% from previous quarter (3Q17) and 9.5% year over year (4Q16). Output value of memory and other manufacturing was NT$46 billion (US$1.5billion), growing 9.5% from previous quarter (17Q3) while declining 1.7% year over year (1.7%). Output value of IC packaging sector was NT$87billion (US$2.9billion), growing 0.6% from previous quarter (3Q17) and 1.4% Year over Year (4Q16). Output value of IC testing sector was NT$38.7billion (US$1.3billion), growing 1.8% from previous quarter

(3Q17) and 1.8% Year over Year (4Q16). (Figures calculated based exchange rate of 1 USD= 30.4 NTD).

Unit：NT $billions

	1Q17	Quarterly Growth	YoY Growth	2Q17	Quarterly Growth	YoY Growth	3Q17	Quarterly Growth	YoY Growth	4Q17	Quarterly Growth	YoY Growth	2017	Annual Growth
Overall Output Value	571.4	-11.3%	5.0%	572.6	0.2%	-4.8%	642.8	12.3%	-2.5%	675.5	5.1%	4.9%	2,462.3	0.5%
IC Design	139.8	-12.5%	-3.7%	150.6	7.7%	-11.3%	165.9	10.2%	-7.0%	160.8	-3.1%	0.6%	617.1	-5.5%
IC Manufacturing	320.8	-11.0%	8.6%	306.0	-4.6%	-3.7%	352.4	15.2%	-1.8%	389.0	10.4%	7.9%	1,368.2	2.7%
Wafer Foundries	284.9	-9.2%	14.4%	267.8	-6.0%	-2.1%	310.4	15.9%	-0.6%	343.0	10.5%	9.3%	1,206.1	5.0%
Memory & Other	35.9	-23.3%	-22.5%	38.2	6.4%	-13.4%	42.0	9.9%	-9.7%	46.0	9.5%	-1.7%	162.1	-11.8%
IC Packaging	77.0	-10.3%	5.5%	82.5	7.1%	3.1%	86.5	4.8%	1.8%	87.0	0.6%	1.4%	333.0	2.8%
IC Testing	338	-11.1%	10.8%	33.5	-0.9%	-1.5%	38.0	13.4%	1.3%	38.7	1.8%	1.8%	144.0	2.9%
IC Product Output	175.7	-15.0%	-8.3%	188.8	7.5%	-11.7%	207.9	10.1%	-7.6%	206.8	-0.5%	0.1%	779.2	-6.9%
Overall Global Semiconductor Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	21.6%

Source：TSIA；Industrial Technology Research Institute (2018/02)

According to the Industrial Economics & Knowledge (IEK) published by Industrial Technology Research Institute, overall output value of Taiwanese IC industry in 2017 reached NT$2,462.3 billion (US$81.0 billion), growing 0.5% from 2016. Output value of IC design sector was NT$617.1 billion, (US$20.3billion), declining 5.5% from 2016. Output value of IC manufacturing sector was NT$1,368.2 billion, (US$45.0 billion), growing 2.7% from 2016. Output value of wafer foundries was NT$1,206.1 billion, (US$39.7billion), growing 5.0% from 2016. Output value of memory and other manufacturers was NT $162.1 billion, (US$5.3billion), declining 11.8% from 2016. Output value of IC packaging sector was NT$333 billion, (US$11.0 billion), growing 2.8% from 2016. Output value of IC testing sector was NT $144 billion, (US$4.7 billion), growing 2.9% from 2016. (Figures calculated based exchange rate of 1 USD= 30.4 NTD).

Output Value of Taiwan IC Industry 2014~2018
Unit：NT $billion

	2014	Annual Growth	2015	Annual Growth	2016	Annual Growth	2017	Annual Growth	2018(E)	Annual Growth (E)
IC industry	2,203.3	16.7%	2,264.0	2.8%	2,449.3	8.2%	2,462.3	0.5%	2,605.0	5.8%
IC Design	576.3	19.8%	592.7	2.8%	653.1	10.2%	617.1	-5.5%	657.8	6.6%
IC Manufacturing	1,173.1	17.7%	1,230.0	4.9%	1,332.4	8.3%	1,368.2	2.7%	1,449.2	5.9%
Wafer Foundries	914.0	20.4%	1,009.3	20.4%	1,148.7	13.8%	1,206.1	5.0%	1,267.2	5.1%
Memory & Other	259.1	9.2%	220.7	-14.8%	183.7	-16.8%	162.1	-11.8%	182.0	12.3%
IC Packaging	316.0	11.1%	309.9	-1.9%	323.8	4.5%	333.0	2.8%	348.0	4.5%
IC Testing	137.9	8.9%	131.4	-4.7%	140.0	6.5%	144.0	2.9%	150.0	4.2%
IC Product Output	835.4	16.3%	813.4	-2.6%	836.8	2.9%	779.2	-6.9%	839.8	7.8%
Global Semiconductor Growth	-	9.9%	-	-0.2%	-	1.1%	-	21.6%	-	6.1%

Source：TSIA；Industrial Technology Research Institute IEK(2018/02). Note: (E) represent estimated value.

2. Industry Supply Chain

Sectors in IC industry can be categorized according to position in production process, including IC Design at the upstream, IC Manufacturing & Foundries at the mid-stream and IC Assembly & Testing sector at the downstream.

(1) Upstream：

IC Design Sector includes companies designing IC products. The sector is knowledge-intensive with high entrance barrier and return on investment. Its main business scope includes designing and sales of own products or customized design for customers.

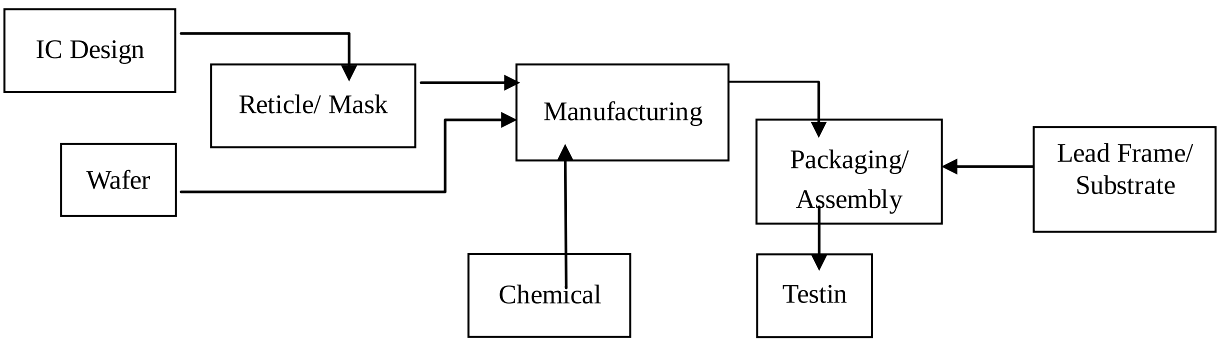
(2) Mid-stream：

Include IC manufacturing sector and related chemical suppliers. Its main business scope involves manufacturing wafer with precision tools according to in IC circuits designed in house or specified by customers. This sector is capital and technology intensive with high entrance barrier

(3) Downstream：

Outsource Assembly and Testing (OSAT) sector provides cutting, packaging, assembly and testing service to manufactured IC wafer for final product application.

IC Industry Supply Chain as illustrated below



In recent years scope of IC manufacturing as well as assembly and testing continues overlap due to increasing market demand for larger quantity and higher quality IC. In addition to higher performance and smaller profile, IC is also required to satisfy demands for integrated functions. As a result some wafer foundries begin to develop products and services that extends into scope of IC packaging and assembly. Majority of wafer foundries choose to work closely with cooperating assembly and testing service providers. Integrated Design and Manufacturers (IDM) also collaborate with OSAT service providers in designing and developing product solutions.

3. Trend of Product Development and Competition

(1) Trend of Product Development

IC Assembly and Testing refers to back end of line production process of IC production, including packaging and assembly, as well as testing. Its purpose is to provide protection, thermal management and connectivity to IC chips. Packaging and Assembly technology can be divided broadly into two main stages, including lead frame packaging and leadless packaging on substrate. The initial stage of development is lead frame packaging, which connects IC chips to external connection pins around the IC chips through means of wire bonding. Subsequently lead frames are replaced by substrate where external connection is replaced by led balls under IC chips. The latest development no longer uses lead frames or led balls. The latest Flip-chip packaging technology places the IC chip directly on motherboard where IC chips are connected directly to substrate through metal bumps

There are two main areas of technological development in Assembly and packaging technology. One is System on Chip (SoC) where the entire system circuit, including Central Processing Unit (CPU), Memory (Flash memory/ SRAM), Digital Signal Processor (DSP), Input/Output Interface (I/O interface)… are incorporated onto one single IC chip. The other is System in Package (SiP) where IC chips with different digital or analog functions are connected to Integrated Substrate or Functional Substrate with embedded passive components or electric circuits through bumping or wire bonding. SiP packaging technologies also differs according to application requirements, such as surface Multi-chip Module (MCM) packaging or 3D Chip-Stacking packaging which reduces surface area.

While System on Chip (SoC) and System in Package (SiP) are currently the two major direction of development in Semiconductor Assembly and Packaging technologies, System in Chip (SoC) technology has reached a stage of bottleneck. As SoC faces difficulties such as high defect rate, extensive development time and high cost, SiP multi chip module package with advantages such as small profile, high speed and frequency, lower lost and shorter production lead time becomes highly valued solution. As semiconductor micro-manufacturing technologies and IC production cost reaches bottleneck, relevance of

Moore's Law is gradually reaching its limit of applicability. In addition, end-product for Internet of Things also emphasizes heterogeneous integration of different components such as Sensor, Logic/Dram, GPU and other IoT Product applications. Consequently utilizing SiP technology to achieve heterogeneous integration through assembly, particularly integration of sensor units that SoC struggles to achieve, becomes popular areas of research and development. Based on its production process of Wafer-level SiP Assembly and Packaging (e.g. CoWos, InFO package) wafer foundry TSMC is currently leading the movement towards Fan-Out packaging utilized in smart phone application. More than 20% thinner than traditional Flip Chip assembly, fan out packaging matches the trend of increasingly slim profile of smart phones. In addition, Fan-Out packaging also offers advantages in higher performance, low power consumption and better thermal management than Flip Chip packaging. Furthermore, its lower cost also fulfils consumer demands for lower price in electronic devices. The above factors indicate that Fan-Out packaging technologies will become the mainstream for smart phone applications. With exception of TSMC, most wafer foundries choose to collaborate with closely cooperating OSAT service providers in product development. IDM manufacturers also collaborate with OSAT service providers in product design and development. This creates increasingly close integration of assembly and OSAT service providers, wafer foundries, and IDM manufacturers.

In response to trend of technological development of the industry, as well as increasing demand from upstream customer for capacity in memory, logic, as well as advance assembly, packaging and testing, our company continues to invest in new equipment and capacity to satisfy customer demand. In the meantime, our company continues to develop assembly and packaging technologies providing high performance at low cost. As assembly and packaging industry evolves with an increasing diversity and technology-intensiveness, companies with capability of independent technological development as well as maintaining stable customer base will benefit the most.

(2) State of Competition：

According to Gartner, trough in global GDP growth, semiconductor and Outsourced Assembly and Testing (OSAT) sector appeared in 2015 with improved performance between 2016 and 2018. Garner forecasted global semiconductor market to grow by 7.5%, while OSAT sector is forecasted to grow by 4.6%, showing healthy growth potential in global semiconductor OSAT market. From 2014 to 2017 market share of Taiwan OSAT sector consistently ranked top in the market with over 50% of global market share. In the meantime, China continued its rapid expansion through merging and acquisition. US global market share also grew from 12% to 14% while Singapore and Japan declined. Overall output value of global IC assembly and testing sector in 2018 is estimated at USD $28.1 billion. Market share ranking is as followed: Taiwan (56%), China (20%), US (14%), Japan (4%), Korea (2%), EU (0%). With regards to individual OSAT service providers, ASE ranked top among the 10 biggest OSAT service providers in revenue as reported by Topology Research Institute followed by Amkor and Jiangsu Changjiang Electronics Technology. However, where revenue growth is concerned, only PTI in Taiwan was able to achieve more significant growth while ASE and Chipbond only achieve single-digit growth rate. KYEC, Spil and ChipMOS even produced negative growth.

Last 3 years saw a trend of merging and acquisition in the semiconductor OSAT sector. Since 2015 when the three largest Chinese local OSAT service provider: Jiangsu Changjiang Electronics Technology, Tianshui Huatian Technology and TongFu Microelectronics began acquiring international OSAT companies and IDM backend assembly and testing companies, they have achieved top ten ranking in global market share. In addition to merging of previously top 10 largest OSAT companies, Amkor also acquired Nanium, a Portugese company specializing in Wafer Level Fan-Out Package, to expand its technological scope. PTI also reached an agreement with Micron to acquire its Akita factory and 39.6% share of Tera Probe which contributes to consolidate PTI’s position in Japan. Taiwanese testing company Sigurd also acquired Bloomeria, Singapore, thus indirectly acquired 51.88% share of Winstek, signifying its transformation from testing to turn key service provider.

Annual growth of Taiwanese IC OSAT companies can be categorized according to principle revenue product including logic, memory, driver IC, Analog IC, Sensors and testing. From Q2 2016, market end consumer electronic products such as smart phones and PC began to recover as global macro-economy recovered. Consequently, growth in 2016 Q2 reached 4% followed by two-digit growth until Q4 2016. Growth in Q1 2017 was 5.5% followed by slowing growth rate from Q2 onwards. This reflects the higher baseline in second half of 2016 as well as slowing down of business growth. In the area of Logic IC, both ASE and Spil both showed decline in annual revenue growth. Both companies began to show positive growth from Q2 2016 that peaked at Q3 and Q4 2016. However, such growth gradually disappeared and even declined, indicating growth bottleneck in Logic IC sector. In the memory sector, PTI showed the most impressive annual growth of 23.7% in Q4 2015 while maintain double-digit growth rate up to Q4 2017. Orient Semiconductor Electronics also achieved double digit annual growth rate. This reflect growth in memory assembly and testing sector as a result of increasing memory prices

Following the dramatic decline in standard DRAM demand due to contraction of PC market, the company has been actively reducing percentage of memory assembly and testing in its product portfolio. In 2012 PTI acquired shares and right of management from Greatek Electronics Inc, enabling growth in combined revenue in 2012 as well as expansion of business into Logic sector. In 2013, combined revenue declined due to factors including weakened DRAM supply, contracting PC market demand, saturation of high-end smart phone market, as well as price competition due to shrinking customer base caused by acquisition of Elpida Memory by Micron. Combined revenue growth recovered in 2014 due to stable recovery in overall global economy. While demand for standard DRAM declined, demand for mobile and consumer DRAM remained strong. In the meantime, growth in high density flash was driven by strong demand for Solid State Drive (SSD). In 2015 and 2016, despite continued decline in global overall semiconductor revenue, PTI still achieved annual growth of 6.2% and 13.7% as a result of strong demand in Mobile Dram, Consumer DRAM, Graphic Memory, SSD and high density MCP/MMC Flash as well as contribution from PTI Semiconductor (Xi'an). In addition to growth in memory assembly and packaging due to increasing memory prices, PTI was able to achieve 23.4% growth in 2017 with contribution from Tera Probe, Tera Power and Akita factory, as well as return from investment in Logic sector. With Akita factory as foundation supported by Tera Probe, PTI will be able to provide complete turnkey service in Japan.

Annual Growth 2012-2017 of Taiwan OSAT Companies Ranking Among Global Top 10

Unit：NTmillion

Company Name	2017 Revenue	17/16 Annual Growth	2016 Revenue	16/15 Annual Growth	2015 Revenue	15/14 Annual Growth	2014 Revenue	14/13 Annual Growth	2013 Revenue	13/12 Annual Growth	2012 Revenue
ASE	290,441	5.7%	274,884	-3.0%	283,302	10.0%	256,591	16.7%	219,862	13.3%	193,972
SPIL	83,554	-1.8%	85,112	2.7%	82,840	-0.3%	83,071	19.8%	69,356	7.3%	64,654
PTI	**59,632**	**23.4%**	48,344	13.7%	42,524	6.2%	40,039	6.5%	37,605	-10.9%	41,611
ChipMOS	17,941	-7.5%	19,392	-2.4%	19,869	-9.7%	22,005	13.7%	19,362	0.7%	18,150
Chipbond	18,428	6.8%	17,256	2.3%	16,863	-4.6%	17,683	11.8%	15,811	5.3%	15,013

Source：Market Observation Post System/ Relevant Financial Statements Organized by PTI

For Semiconductor backend companies, collaboration with strategic partners possessing leading advantage in technology and production cost enables long term supply chain partnership while securing stable business and profit in the oligopolistic DRAM and Flash market. PTI strives to establish and maintain solid strategic relations with customer while focusing on market segmentation. Currently our primary customers consist of best-known international semiconductor companies in memory manufacturing. Considering risks of price fluctuation due to excess capacity caused by over investment in memory market, PTI also expanded its business scope in 2008 into integrated advanced assembly and packaging services (SiP, MCP, 3D IC, Bumping, Flip Chip MEMS, Fan out, TSV CMOS…). Based on its fundamental advantage in memory assembly and testing, PTI aim to integrate multiple functions such as logic, wireless, wired and micro-processing unit within a single package to provide high performance and small profile solutions. PTI also continues to emphasize UPH, increasing production efficiency while lowering production cost.

(3) Summary of Technological Research & Development

1.R&D Cost

Latest Annual R&D expenditure as followed

Unit：NT 1000s

Item \ Year	2017
R&D Expenditure	1,723,215

2. Successfully developed technology or product：

(1) Achievements in Assembly and Packaging products：

①Design, Production process development and mass production of Low voltage Mobile DRAM with 4 Die Multi-Chip Stacking

② Design, production process development and mass production of LGA with 8 Die Multi-Chip Stacking

③ Design, production process development and mass production of eMMC BGA with 9 Die Multi-Chip Stacking

④ Design, production process development and mass production of FBGA for SSD with 8 Die Multi-Chip Stacking

⑤ Design, production process development and mass production of Micro SD Memory Card with 9 Die Multi-Chip Stacking

⑥ Production process development and mass production of SiP USB

⑦ Development of Through Silicon Via (TSV) Technology in collaboration with Elpida and UMC

⑧ Successful development and massive production of Copper and Silver alloy wire bonding technology in response to increasing gold prices

⑨ Development of TSOP packaging with 8 Die NAND Multi-Chip stacking which significantly increases memory capacity

⑩ Developing WFBGA packaging which significantly reduces thickness of overall package facilitating application in thin profile mobile electronic devise

⑪ Development and customer qualification of 4 Die SiP Packaging production process

⑫ Production process development and mass production of Cooper wire bonding QFN and BGA packaging

⑬ Development and customer qualification of 3 Die Flip-Chip BGA package

(2)Achievement in Testing Product：

① Development of testing program for 1G DDR 3

② Development of testing program for 2G DDR 3

③ Development of testing program for P2P creeping distance testing and I-V curve programmed
④ Development of testing program for PCET 640 dots tester
⑤ Development of testing program for 16Gb NAND FLASH FT
⑥Development of testing program for 32Gb NAND FLASH FT
⑦ Completed development of BGA224 32nm 32Gb Burn-In Board and associated program
⑧ Completed development of 0.5 mm pitch Burn-In Board
⑨ Completed development ofLGA52 32nm 32Gb Burn-In Board and associated program
⑩ Completed development of GDDR5 1G & 2G B/I program development。
⑪Completed development of DDR3 1G-F & 2G-C B/I program development
⑫Completed development of Automated Cleaning system for pre-burning board
⑬Completed development of Abnormal Temperature Change Monitor system for Burn-in Ovens

(4) Long-term and Short-term Business Strategy

Our Short-term and Long-term strategic business planning in management, production, sales & marketing and research & Development are outlined below

1. Short-term business planning

(1) Actively expand product capacity while developing new technologies and production process

In response to persistent growth in semiconductor market and customer demand, we will continue to actively expand our capacity. We will also increase our competitive advantage by emphasizing on developing new technology and production process such as WLP, FC, SiP/Modules, 2.5D/3D IC, Fan-Out and other advance packaging technologies in accordance with product development trend.

(2) Continue to reduce production lead time in order to provide speedy service for customers.

Out main advantage lies in flexible production process offering high level of mobility. We will continue to reduce production lead time in order to provide speedy service for our customers.

(3) Continue to provide integrated Turn-Key services

Due to consideration in cost, up-stream wafer foundries continues to outsource IC assembly, packaging and testing to specialized assembly and testing facilities (OSAT). We are among the few companies capable of providing complete assembly, packaging and testing services in the country. In order to increase our competitive advantage in providing customer with more options and better service, we will continue to offer integrated Turn-Key services.

(4) Explore foreign and domestic market and increase market share

In addition to maintaining strong relationship with existing foreign and domestic customers, we will use our competitive advantage in flexible production process, high level of mobility and capability in proving Turn-Key services to develop new customer worldwide.

2. Long-Term Business Planning

(1) Emphasize long-term partnership with customer and supplier

Through emphasizing long-term collaboration with up-stream and down-stream partners, we aim to become the trusted OSAT service provider providing our customer reliable quality and service. We will also develop strong collaborative partnership with our suppliers

(2) Increase investment in automated equipment, accelerate automated production, improve production yield, increase production efficiency and reduce manpower dependence.

(3) Continue to develop new assembly, packaging and testing technology and new customer

As semiconductor moves beyond micrometer and enters the era of nanometer, demand for advance technology in IC assembly, packaging and testing continues to grow rapidly due to increase in function diversity and decrease in size profile. PTI established out research and development facility dedicated to advance assembly and packaging technology in order to satisfy demand from existing and new customers and continues to strengthen our competitive advantage.

(5) Increase revenue contribution from Logic, Module(SSD) and Micro-electro-mechanical Systems(MEMS)

Through increasing customer and revenue in areas of Logic, Module (SSD) and (MEMS) we continue to diversify product risk and increase company scale.

2. Market and Product Sales Outlook

(1) Market Analysis

1. Primary area of product/service sales/provision

Our primary business scope includes providing IC outsourced assembly and testing (OSAT) services in overseas as well as domestic market. As of 2017, revenue from domestic sales account for 20.41% of overall revenue while that of overseas markets account for 79.59%. Our principle markets are Japan, Singapore, and North America.

Unit：NT Thousands

<table>
<tr><th>Year
Market</th><th>2016</th><th>%</th><th>2017</th><th>%</th></tr>
<tr><td>Domestic</td><td>10,534,354</td><td>21.79</td><td>12,170,505</td><td>20.41</td></tr>
<tr><td>Export</td><td>37,809,188</td><td rowspan="7">78.21</td><td>47,461,578</td><td rowspan="7">79.59</td></tr>
<tr><td>Japan</td><td>17,451,060</td><td>20,422,543</td></tr>
<tr><td>Singapore</td><td>7,688,692</td><td>12,857,749</td></tr>
<tr><td>North America</td><td>6,939,707</td><td>10,618,829</td></tr>
<tr><td>Europe</td><td>4,043,557</td><td>1,842,106</td></tr>
<tr><td>China and Hong Kong</td><td>1,542,807</td><td>1,404,213</td></tr>
<tr><td>Others</td><td>163,365</td><td>316,138</td></tr>
<tr><td>Total</td><td>48,343,542</td><td>100</td><td>59,632,083</td><td>100</td></tr>
</table>

2. Market Share：

According to data provided by Gartner, PTI is the 5th largest OSAT service provider worldwide. It is also ranked 3rd in revenue among OSAT service providers in Taiwan. Currently there are over 30 domestic OSAT service providers respectively, of which 20 provides both assembly and testing services. According to 2017 operation results of Taiwanese IC industry published by Taiwan Semiconductor Industry Association (TSIA) in February 2018, overall output value of IC Assembly sector amounts to approximately NT$333 billion while that of testing sector amounts to approximately NT$144 billion. In 2017, our assembly revenue amounts to approximately NT$ 42.9 billion, contributing 12.8% of overall industry output while testing revenue amounts to approximately NT $16.7 billion, contributing 11.6% to overall industry output. In particular PTI also holds leadership position in assembly, packaging and testing of memory IC products. Powertech Semiconductor (Xian) Co. Ltd., a subsidiary established through investment contract with Micron Memory Inc. on semiconductor assembly, began production in 2016, increasing PTI's market share in memory OSAT sector. In 2017, PTI also reached agreement with Micron to acquire its Akita facility in Japan as well as 39.6% share of Tera Probe from Micron, consolidating PTI's position in Japan.

3. Market Supply and Demand Outlook and Growth Potential

According to forecast by Garner in March 2018, overall sales value of global semiconductor market will grow by 7.5% annually in 2018. Garner also forecasted annual decline of 1.6% in 2019, 1.1% annual growth in 2020 and 6.4% annual growth in 2021.

Global Semiconductor Market Forecast

Unit: US $billions

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Global Semiconductor Market	299.9	315.4	342.4	334.9	343.5	419.7	451.0	444.0	448.9	477.7
Annual Growth Rate	-2.6%	5.2%	8.6%	2.2%	2.6%	22.2%	7.5%	-1.6%	1.1%	6.4%
Source： Gartner；Industrial Technology Research Institute (2018/03)										

Our primary source of revenue consists of assembly and testing of Memory IC products. We will continue to increase revenue from assembly and testing of Logic IC, sensor components and other products. The two mainstream product categories of memory markets consist of DRAM and Flash memory products. Semiconductor product categories include Application Specific Integrated Circuit (ASIC), Application Specific Standard Product (ASSP) Analog, Discrete Devices, GP logic, Memory, Micro-component, Sensor (NOS) and Optoelectronic components (Opto). In 2017, Memory (31.4%), ASSP (24.2%) and Micro-component (15.8%) were the largest product categories. Due to under-supply and Oligopoly Market, sales value of memory product grew by over 60%. Annual sales growth rate in 2018 is expected to maintain at double figures. Annual sales value of ASSP grew by 11% in 2017 and is forecasted to grow by 4.3% in 2018. Memory, ASSP and Micro-components will continue to be the biggest product category in sales value by 2021 while growth will be driven by memory, Optoelectronic components (Opto) and sensor (NOS).Compound Annual Growth Rate (CAGR) of memory, Optoelectronic components (Opto) and Sensor (NOS) between 2016~ 2021 is forecasted to be 10%, 8.7% and 7.3% respectively.

2017~2021 Sales Growth Forecast of Semiconductor Product Categories

Unit: US$billions

	2017			2018			2021		
	Volume	Proportion	Growth	Volume	Proportion	Growth	Volume	Proportion	2016~2021 CAGR
ASIC	25.6	6.1%	10.3%	27.5	6.1%	8.5%	30.6	6.4%	6.0%
ASSP	101.6	24.2%	11.0%	106.4	23.6%	4.8%	127.5	26.7%	6.8%
Analog	23.1	5.5%	11.9%	23.9	5.3%	3.5%	26.8	5.6%	5.4%
Discrete	20.1	4.8%	9.7%	20.7	4.6%	3.6%	23.9	5.0%	5.5%
GP Logic	12.2	2.9%	4.5%	12.6	2.8%	3.6%	14.8	3.1%	4.6%
Memory	131.8	31.4%	64.3%	149.7	33.2%	13.7%	129.0	27.0%	10.0%
Micro	66.3	15.8%	6.2%	67.2	14.9%	1.3%	71.7	15.0%	2.8%
NOS	10.5	2.5%	9.9%	11.3	2.5%	2.5%	39.6	8.3%	8.7%
Opto	29.0	6.9%	10.3%	31.6	7.0%	9.3%	13.9	2.9%	7.3%
Total	419.7	100.0%	22.2%	451.0	100.0%	7.5%	477.7	100.0%	6.8%

Source: Gartner；Organized by PTI

Although global economic environment continues to recover in 2018, semiconductor sector is beginning to move towards mature market with significant decline in PC sales and decelerated growth in smartphone and TV market. Due to dropping demand from traditional 3C market and uncertainty in the supply and demand of memory product (such as potential capacity increase from major manufacturers and Chinese manufacturers), growth rate of semiconductor market is estimated to be subdued at single figure. However, as Internet of Things (IoT) and Artificial Intelligence (AI) continues to develop, semiconductor industry will be driven by a new combination of technologies and end-product demand, including future human-machine interface/voice control/voice assistant, electric vehicles/internet of vehicles/autonomous vehicle, transfer of computing from cloud computation to edge computation driving ASIC for AI computing, as well as emergence of network and edge computation for 5G/smart home/robotics/wearable devices.

Global IC OSAT sector is forecasted to continue its 2017 growth trend in 2018. As sales of end products such as mobile phone and IoT wearable devises gradually recovers, utilization of Flip-Chip and Wafer-level bumping capacity remains high. In the meantime, market continues to focus on Fan-Out packaging, in particular development of production technologies in Fan-out packaging with homogeneous/heterogeneous integration of IC and passive components. Growth of Fan-out packaging will continue to be driven by demand for high performance and low power consumption in future end product. IC assembly, packaging and testing sectors is forecasted to continue its growth trend in 2018, driven primarily by smartphone and IoT related applications. Demand and anticipation for 5G application IC, increasingly diverse sensor components driven by IoT and AI application, higher resolution CMOS image sensor, SiP packaging demand by apple and non-apple healthcare devises, as well as new IoT end product will continue to materialize each quarter. Benefited from expansion of applications in AI, IoT, Smart vehicle and high-speed computing, demand for DRAM continues to remain strong in 2018. Driven by significant downstream customer demand for smartphones, PC and sever, production volume and price form NAND-Flash memory continues to rise. Estimated production output of Taiwanese assembly and OSAT sector is estimated to reach NTD $348 billion and NTD $150 billion respectively, growing 4.5% and 4.2% annually from 2017. While PTI continues to achieve stable growth in our long-established capacity of memory assembly, packaging and testing, we have also extended our strategic expansion in capacity, technology and customer service into Logic IC and advanced assembly and packaging market. Through continuous strengthening of strategic alliance and constant improvement in advance technologies, PTI strives for global leadership in worldwide IC OSAT sector.

4. Competitive Advantages

PTI have grown to become one of the major OSAT service providers, delivering high quality, dedicated service and advanced technology for our customers. We continue to collaborate closely and maintain solid relations with our customers. Our competitive advantages are as followed.

(1) Solid Strategic Allies and Globalization

The IC OSAT sector is characterized by high level of collaboration with upstream wafer foundries. Consequently profitability of assembly, packaging and testing service providers relies on solid relationship with customers. In the meantime, IC manufactures also chose long-term partnership with assembly, packaging and testing service providers due to confidentiality in product technology, product quality and production process. Such strategic alliance with concrete relationship of collaboration is beneficial for long-term development of the company.

(2) Turn-key Service

In response to rapid decline in IC sales prices, we offer Turn-key Service to our customers, including both assembly and packaging, as well as testing in order to reducing cost and risk in shipping process.

(3) Outstanding capability in development and production

PTI have been committed in developing new technologies while investing heavily in technological research and production process improvement. We have been proudly awarded many domestic and international patents, as well as technology license from multiple major international manufacturers, establishing our solid competitive edge within the industry.

(4) Investment in high precision automated equipment

In response to development of IC product towards increasingly higher performance, pin-count and density we continue to invest in high precision automated equipment from well-known Japanese and US vendors in order to satisfy customer needs and continuously improve our quality of service.

(5) Online automated customer service system

Our online automated customer service systems enables customer to track closely product status, production progress, and any potential problems. This facilitates swift problem resolution and product improvement while increasing added value for customer.

5. Supporting and Hindering Factors and Responding Strategy

(1)Supporting Factors：

【Industry Background】

① Competitive Advantage of Taiwanese Semiconductor Industry

Taiwan semiconductor industry encompasses a complete semiconductor industry structure from upstream IC Design and wafer foundries to downstream OSAT service providers. This vertically integrated chain of supply, consistent with industry development, contributes to establish the strong competitive position of Taiwanese semiconductor sector in the global market. Booming IC industry facilitated by rapid global development in electronics, information technology, communication technology, consumer electronics, optoelectronic industry, Artificial Intelligence (AI) and Internet of Things (IoT) will continue to support stable growth in OSAT sector.

②OSAT Sector Benefitting from Major Integrated Device Manufacturer (IDM) Outsourcing Trend.

Due to high capital investment of advanced production process, global IDM manufacturers continue to increase its outsourcing of wafer manufacturing, assembly, packaging and testing to Asia region with lower production cost. Taiwan, with its complete industry structure and dynamic vertical supply chain, is the most preferential outsourcing choice for international IDM manufacturers and IC Design Companies. Taiwanese OSAT sector also benefits from OEM orders.

【Competitive Niche】

① Strong Managing Team and Solid Strategic Alliance

Our major share-holders include well-known companies such as Kingston Group and Taiwan Toshiba Semiconductor, facilitating solid reputation and stable customer base. As our revenue continues to grow, support from our shareholders also ensures sufficient capital supply for our future operation and development. Furthermore, our management team is equipped with comprehensive working experience within the semiconductor sector and capability of making appropriate decisions according to market trend. Under their outstanding leadership, PTI was able to maintain stable growth despite dire economic environment during the 2008 Global Financial Crisis.

②Continued Development and Innovation

In response to rapid changes in semiconductor market, PTI is dedicated to technological development. In addition to developing new products, we continue to introduce new technologies through collaboration with our strategic partners. Our research and development team is equipped with capability in independent designing and developing testing software and hardware programs. In addition to continually developing testing program and improving testing equipment in areas of IC testing, we also continue to develop cutting edge technologies and services in respond to future mainstream IC market demand. Our business scope has extended into logic market from assembly, packaging and testing of memory products. Building on our leading advantage in assembly, packaging and testing for both memory and logic IC, PTI continues to expand its scope into 3D IC. In assembly and Packaging we have completed development in IC Chip-Stacking technology, Field Programmable Gate Array (FPGA) and Fan-Out Packaging technology, and have been rewarded many patents. We will also continue our effort in refining in material and production process.

③Turn-key Service and Flexible Capacity

We able to provide our customer integrated turn-key service of IC assembly, packaging, testing and packing service in a single order, effectively reducing shipping time and cost. In addition, we are able to respond quickly to market and customer demand and swiftly expand and adjust our capacity accordingly through timely investment in advance equipment, providing our customer with most competitive solutions.

(6) Hindering Factor and Responding strategy

① Fluctuation in IC Industry in Connection With Economic Climate

Strategic Response：

A. Product Diversification

In addition to continually strengthening our memory assembly, packaging and testing quality and technology, acquisition of Greatek Electronic Inc. also contributed immensely to expansion into Logic market. Furthermore, our new production technologies such as copper pillar bump, Re-distribution Layer (RDL), Wafer Level CSP, MEMS and SSD continues to achieve customer qualification. Through product diversification we are able to mitigate risk of economic cycle as well as provide our customer greater range of assembly, packaging and testing services

B. Strengthening Collaboration with Customers

Establish long-term partnership with existing customers, establishing Powertech Semiconductor (Xian) Co. Ltd. and actively developing new customers to achieve stable and sufficient level of capacity utilization.

C. Increase Market Scope

With Akita facility as production basis in Japan, supported by Tera Probe, PTI will establish comprehensive chain of supply in Japan.

② Erosion of Gross Profit by Increasing Material Cost

Strategic Response：

A. Lowering Production Cost

Mitigating the effect of increasing material cost by varying product structure, improving yield, developing alternative material solution and continue to improve production process.

B. Emphasizing Added value

Continue to support our customer with high quality product with short lead time and swift responding service. Enabling our customers to produce time-effective and competitive product through our dedication in developing new technologies.

③Manpower shortage

Strategic Response：

A. Increase staff welfare and bonus incentives to attract talent and encourage cohesion among staff members. We also design staff training program according to long-term development strategy to support progress for both company and staff member.

B. We will continue to improve productivity and dependence on manpower through actively introducing advanced automated equipment in conjunction with upcoming

Industries 4.0.

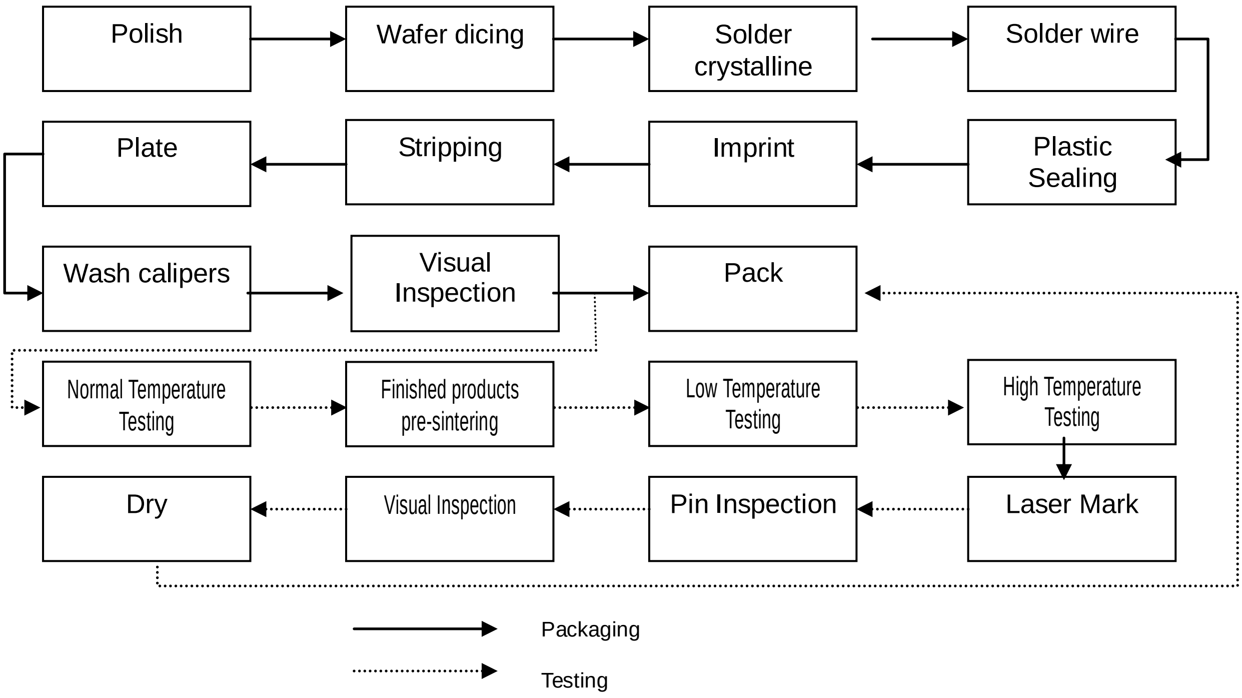
C. Alleviating the effect of manpower shortage by employing foreign workforce with permission from Ministry of Labor.

(2) Important Applications and Production Process of Main Products

1. Product Applications

Main Products or Services	Important Applications or Functions
IC Assembly	To turn Wafer into complete single product through sawing, mounting, wire bonding, molding, trimming/forming, and other processes of the Integrated Circuit (IC).
Final Test	Placing the IC into different environment such as normal, high, or low temperature to test and classify according to test conditions specified by customers. These steps ensure the product conforms to the quality and stability demanded by customers.
Burn-In	Using Burn-In process forced the IC operate in extreme environments to accelerate aging of the products and screen out the unqualified, to ensure reliability of products.
Laser Mark	Printing the name of company and product details on the IC.

2. Production Process



(3) Suppliers of Major Raw Materials

Our company mainly provides IC processing for our customers. The suppliers of the key raw materials used in packaging operations are listed below:

Main Raw Materials	Main Suppliers
Lead-Frame	Shinko Electric, Nichiden Seimitu Kogyo Co., Ltd., Samsung.
Substrate	Unimicron, Nanya, Simmtech, Eastern Company Limited, Japan Circuit Industrial, Kinsus, and Daisho.
Die Attach Film (DAF)	Hitachi Chemical Co.(HK) Ltd, Nitto Denko Taiwan, Lintec, Henkel
Gold Wire	Chroma New Material, Tanaka
Compound	Hitachi Chemical Co.(HK) LTD., Hitachi Chemical Taiwan, Shin Etsu, Kyocera, and Sumitomo.

(4) Information of suppliers' who commanding 10% and plus of annual purchasing volume in any year over the last 2 years.

1. There was no supplier accounted for over 10% of total purchase over the last 2 years.
2. List of Major Customers:

Major Customers Information for the Last Two Calendar Years

Unit: NT$ Thousands

	2016				2017				As of 2018 Q1			
Item	Name	Amount	Percent of total amount sold (%)	Relation with Issuer	Name	Amount	Percent of total amount sold (%)	Relation with Issuer	Name	Amount	Percent of total amount sold (%)	Relation with Issuer
1	A	12,610,336	26.08	None	A	17,981,516	30.15	None	A	4,556,019	28.64	None
2	B	11,572,017	23.94	Related Party	B	12,226,172	20.50	Related Party	B	3,375,636	21.22	Related Party
3	C	3,581,519	7.41	None	B	6,647,619	11.15	None	B	1,701,477	10.69	None
	Others	20,579,670	42.57		Others	22,776,776	38.20		Others	6,276,429	39.45	
	Net Amount Sold	48,343,542	100		Net Amount Sold	59,632,083	100		Net Amount Sold	15,909,571	100	

Reason for changes: PTI revenue increase contributed by capacity expansion, customer demand increase, and acquisition in 2H17.

(5) Production Quantity & Value Table 2016-2017

Quantity Unit: 1,000 wafers Amount Unit: NT$ Thousands

Production Units \ Year	2016			2017		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
IC Packaging	9,720,041	8,367,380	24,690,705	11,424,846	10,445,569	28,323,774
IC Testing	7,369,434	5,809,508	7,927,659	8,204,195	6,701,693	8,913,694
Wafer Level Packaging	719	574	2,254,130	1,021	776	2,853,803
Wafer Level Testing	562	514	540,052	2,642	2,384	3,561,420
Total	17,090,756	14,177,976	35,412,546	19,632,704	17,150,421	43,652,691

(6) Sales Quantity & Value Table 2016-2017

Quantity Unit: 1,000 wafers Amount Unit: NT$ Thousands

Sales Quantity & Value \ Year	2016				2017			
	Domestic Sales		Exports		Domestic Sales		Exports	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
IC Packaging	4,692,858	7,518,651	3,601,285	25,870,437	5,542,656	8,133,596	4,800,362	30,614,731
IC Testing	3,237,228	1,442,704	2,507,501	9,105,952	3,892,549	1,756,951	2,764,875	10,652,233
Wafer Level Packaging	142	1,086,474	426	2,186,923	135	847,725	646	3,131,447
Wafer Level Testing	417	458,491	97	243,959	910	1,395,396	1,489	2,815,774
Others	—	28,034	—	401,917	—	36,837	—	247,393
Total	7,930,645	10,534,354	6,109,309	37,809,188	9,436,250	12,170,505	7,567,372	47,461,578

3. Employee Status

Table for Employees Number, Average Age, Average Years of Service, and Distribution of Education for Last Two Years

Year		2016	2017	As of Mar 31, 2018
Employees number	Administration and Management Staff	1,179	1,251	1,261
	R&D Engineering Staff	2,177	2,318	2,300
	Operators	6,009	6,733	6,711
	Total	9,365	10,302	10,272
Average Age		32.8	33.7	33.8
Average Years of Service		4.04	4.66	4.83
Education Distribution in %	Doctorates	0.13	0.14	0.13
	Masters	7.20	7.28	7.28
	College and Universities	71.32	72.09	72.47
	High School	20.76	19.95	19.59
	Below High School	0.60	0.54	0.53

4. Environmental Protection Expenditures

The total amount of losses (including reparations) and penalties due to environmental pollution caused in most recent year and as of the publication date of this annual report, and an explanation of future responses (including improvement measures) and possible expenditures.

(1) The total amount of losses (including reparations) and penalties due to environmental pollution caused as of most recent year and publication of annual report.

	2017	As of Mar 31, 2018
Pollution Status	Water Pollution Control Act	Water Pollution Control Act
Disciplinary Unit	Environmental Protection Bureau	None
Disciplinary Actions	NT$10,000	None
Other losses	None	None

(2) Response Strategies

1. Improvement Measures

(1) The finding in 2017 was caused by human error. The following actions have been in place to enhance the environmental protection management: improve training quality, increase on-site checking frequency, and attend environmental protection training classes.

(2) The finding in 2017 was for not notify authority of change of waste water in-charge person in time. The following actions have been in place to prevent repeating the same mistake: added procedure to notify filing personnel when change of authorized person, ensure deputy practices, increase certified personnel and maintain better than required certified personnel.

2. Maintenance Measures

(1) Management Program:

The Company conducts the following programs to implement its responsibilities on environmental protection:

A. Air Pollution Control: Set up air pollution control equipment VOCs. Regularly exam the air quality to meet Environmental Protection Bureau standards.

B. Recycle Waste Water: Utilize waste water recycle system to reduce waste on resources and re-use the recycle water to save and protect the water resources.

C. Waste Disposal: The entire disposal must meet environmental protection regulations. Enhance the recycle and re-use rate by well-classify materials.

D. Work with suppliers: Regular inspects suppliers to meet environmental protection regulations.

(2) Expected Environmental Protection Capital Expenditures for Next Three Years

Intended purchase of pollution prevention equipment or capital expenditure is listed below:

Unit: NT$ Thousands

	2018	2019	2020
Fee for exam	350	350	350
Sewage treatment and disposal fee paid	23,681	23,681	30,785
Wastewater treatment costs	43,942	43,942	57,125
Environmental monitoring inspection fee	675	675	966
Industrial waste disposal costs	17,569	17,569	22,840
Expansion of wastewater treatment facilities	1,690	1,690	2,197
Air pollution measurement inspection fees	117	117	152
Set air pollution treatment facilities	0	0	24,722
Air pollution control costs	487	487	633
Total amount of expenditure	88,511	88,511	139,770

5. Labor Relations

(1) The implementation Status for employee welfare policy, training, and continue education:

1. All employees entitle to labor insurance, national health insurance and group insurance. In addition to employees, spouses and children of employees also entitle to insurance programs provided by the company for whole family protection.
2. The Company operates cafeteria providing meals with limited costs to employees.
3. The Company provides dormitories with safe and clean environment to accommodate employees who are in need.
4. Based on employee needs, the Company provides all types of training such as new employee orientation training, professional technical training, etc. to help employees to develop their professional skills and initiate self growth.
5. Employee bonuses will be at fixed percentage of net profits after taxes, capital surplus, and dividends.
6. Schedule events such as employee travel, family days, cultural & art activities, and year-end parties to promote employee morale and group recognition.
7. Compensated new hire employees physical check-ups and annual free physical check-up for employees. On-site psychological consultants, medicinal clinic, breast feeding room, and physician to take care of employees.

(2) Retirement Planning and Implementation

The Company has defined a retirement plan for full-time employees. The plan calculates pension based on years of service and the average wages six months before retirement. The Company also established a Labor Pension Monitoring Committee as regulated by law. According to the Labor Pension Act, 2% of monthly wages are set aside for employee pension and deposited into the Central Trust of Taiwan. From July 1, 2005 onward, employees that choose the retirement plan under the Labor Pension Act will set aside 6% of his/her monthly wages into the dedicated individual pension fund account at the Bureau of Labor Insurance.

(3) Agreement between Labor and Management & Implementation of Employee Rights Protection

The Company values employees' opinions and provides many channels for communication between employees and managements. The Company cares the satisfaction level of employees with regard to the management and welfare system to maintain good employees and managements relationships. Since the Company's establishment, labor-management relationship has been harmonious, with no damages caused by labor-management conflicts. The Company believes that it is very unlikely of any damages caused by labor-management conflicts.

(4) No damages from labor-management conflicts since January 1, 2013 to the publication date. No foreseeable damages possibility and amount for the future periods.

6. Major Contracts

Contract Classification	Contract Company	Contract Duration	Main Contents	Limitations of Terms
Construction Contract	Jian Ming Contractor Co. Ltd.	Nov 2016 – Sep 2017	3D Building Construction Contract	None
Construction Contract	Jian Ming Contractor Co. Ltd.	Sep 2017 – Dec 2017	P10 Building Construction Contract	None
Bank Loan	CTBC Bank	Aug 2017-Aug 2020	Medium-term credit loan	Commitment to maintain a certain ratio between the assets & liabilities and net worth
	Mega International Commercial Bank, Hsin-An Branch	Feb 2014 - Feb 2019	Machinery & Equipment Loan	None
		Dec 2014 - Dec 2019	Machinery & Equipment Loan	
		Apr 2016 - Apr 2021	Machinery & Equipment Loan	
		Dec 2016 - Dec 2021	Machinery & Equipment Loan	
	Ta Chong Bank, Hsinchu Branch	Jan 2016 - Jan 2020	Medium-term credit loan	Commitment to maintain a certain ratio between the assets & liabilities and net worth
	KGI Bank	Dec 2016 - Dec 2020	Medium-term credit loan	Commitment to maintain a certain ratio between the assets & liabilities and net worth
	E.Sun Bank	Sep 2017 - Sep 2032	Building Construction	None
		Sep 2017 - Sep 2024	Building Construction	
		May 2017 - May 2020	Medium-term credit loan	
	Hua Nan Bank	Mar 2017- Mar 2020	Medium-term credit loan	None
		Jul 2016 - Jul 2019		
		Sep 2017 – Sep 2020		
		Jun 2017 – Jun 2020		
	First Bank	Mar 2017 - Mar 2021	Machinery & Equipment Loan	None
	Bank of Taiwan	Nov 2012 – Nov 2027	Building Construction Loan	None
		Nov 2016 – Nov 2021	Machinery & Equipment Loan	
		Sep 2017 – Sep 2022		

Contract Classification	Contract Company	Contract Duration	Main Contents	Limitations of Terms
	Taiwan Cooperative Bank	Sep 2014 - Sep 2019	Machinery & Equipment Loan	None
		Sep 2017 - Sep 2022	Machinery & Equipment Loan	
		Apr 2017 – Apr 2032	Building Construction Loan	
		Apr 2017 – Apr 2024	Medium-term credit loan	
	Shin Kong Bank	Nov 2016- Nov 2019	Medium-term credit loan	None
	Chang Hwa Bank	Jan 2016 – Feb 2020	Medium-term credit loan	None
		Mar 2017 - Mar 2023	Machinery & Equipment Loan	
	Taishin Bank	Feb 2017- Feb 2020	Medium-term credit loan	Commitment to maintain a certain ratio between the assets & liabilities and net worth
	O Bank	Nov 2017 - Nov 2020	Medium-term credit loan	Commitment to maintain a certain ratio between the assets & liabilities and net worth
	Land Bank of Taiwan	Dec 2017 – Dec 2020	Medium-term credit loan	None

VI. Financial Highlights

1. Summarized Balance Sheets, Income Statements, CPA and Audit Opinions for Last 5 years

(1) Summarized Balance Sheets

1. PTI Consolidated Balance Sheets – IFRS

Unit: NT$ Thousands

Item \ Year		2013	2014	2015	2016	2017	2018
Current Assets		$31,484,275	$28,592,427	$32,538,444	$31,686,234	$37,077,396	$37,837,729
Property, Plant and Equipment		35,873,672	37,660,879	35,168,436	44,173,985	58,663,021	59,631,352
Intangible Assets		1,401,549	1,330,726	1,225,706	1,125,149	1,249,649	1,220,639
Other Assets		3,184,527	1,869,117	2,770,106	3,222,178	2,668,362	2,585,228
Total Assets		71,944,023	69,453,149	71,702,692	80,207,546	99,658,428	101,274,948
Current Liabilities	Before Distribution	13,823,919	10,632,016	11,291,105	16,735,143	21,788,688	22,369,837
	After Distribution	15,352,212	12,950,412	14,018,118	19,851,730	Note 2	
Non-Current Liabilities		21,058,828	19,279,167	18,455,533	19,151,983	28,186,311	27,364,302
Total Liabilities	Before Distribution	34,882,747	29,911,183	29,746,638	35,887,126	49,974,999	49,734,139
	After Distribution	36,411,040	32,229,579	32,473,651	39,003,713	Note 2	
Equity Belong to Parent Company		29,571,452	31,517,902	33,830,784	35,814,959	38,060,810	39,452,965
Capital Stock		7,791,466	7,791,466	7,791,466	7,791,466	7,791,466	7,791,466
Capital Surplus		2,914,524	1,423,925	1,457,194	678,047	119,593	119,593
Retained Earnings	Before Distribution	19,542,364	22,768,770	24,419,993	27,291,846	30,555,478	31,932,488
	After Distribution	19,542,364	20,450,374	22,472,127	24,736,245	Note 2	
Other Equity		14,599	76,662	162,131	53,600	(337,628)	(332,483)
Treasury Stock		(691,501)	(542,921)	0	0	(68,099)	(68,099)
Non-Controlling Interests		7,489,824	8,024,064	8,125,270	8,505,461	11,622,519	12,087,844
Total Equity	Before Distribution	37,061,276	39,541,966	41,956,054	44,320,420	49,683,429	51,540,809
	After Distribution	35,532,983	37,223,570	39,229,041	41,203,833	Note 2	

Note 1: The listed numbers were certified by CPA.
Note 2: The earnings distribution for 2017 subject to shareholders' approval.

2. PTI Summarized Balance Sheets – IFRS

Item \ Year		2013	2014	2015	2016	2017	Mar 31 2018
		Financial Information for Last Five Years					
Current Assets		$20,174,004	$20,199,784	$22,583,480	$23,773,297	$19,289,640	Note1
Property, Plant, and Equipment		22,781,511	27,902,222	25,282,123	31,339,124	36,344,220	
Intangible Assets		4,485	28,471	19,793	11,831	4,359	
Other Assets		13,537,891	9,666,197	12,261,080	11,920,199	16,532,424	
Total Assets		56,497,891	57,796,674	60,146,476	67,044,451	72,170,643	
Current Liabilities	**Before Distribution**	9,372,782	7,129,326	8,215,112	12,407,510	10,800,669	
	After Distribution	10,901,075	9,447,722	10,942,125	15,524,097	Note 3	
Non-Current Liabilities		17,553,657	19,149,446	18,100,580	18,821,982	23,309,164	
Total Liabilities	**Before Distribution**	26,926,439	26,278,772	26,315,692	31,229,492	34,109,833	
	After Distribution	28,454,732	28,597,168	29,042,705	34,346,079	Note 3	
Capital Stocks		7,791,466	7,791,466	7,791,466	7,791,466	7,791,466	
Capital Surplus		2,914,524	1,423,925	1,457,194	678,047	119,593	
Retained Earnings	**Before Distribution**	19,542,364	22,768,770	24,419,993	27,291,846	30,555,478	
	After Distribution	19,542,364	20,450,374	22,472,127	24,736,245	Note 3	
Other Equity		14,599	76,662	162,131	53,600	(337,628)	
Treasury Stocks		(691,501)	(542,921)	0	0	(68,099)	
Total Equity	**Before Distribution**	29,571,452	31,517,902	33,830,784	35,814,959	38,060,810	
	After Distribution	28,043,159	29,199,506	31,103,771	32,698,372	Note 3	

Note 1: No CPA certified data available for 1Q18.

Note 2: The listed numbers were certified by CPA.

Note 3: The earnings distribution for 2017 subject to shareholders' approval.

(2) Summarized Income Statements

1. PTI Consolidated Income Statements – IFRS

Item \ Year	Financial Information for Last Five Years					Mar 31 2018
	2013	2014	2015	2016	2017	
Net Sales	$37,604,981	$40,039,445	$42,523,512	$48,343,542	$59,632,083	$15,909,571
Gross Profit	5,259,268	6,658,164	8,219,542	10,462,026	12,698,512	3,249,410
Operating Income	2,887,101	4,232,071	5,643,828	7,632,373	9,074,024	2,341,624
Non-Operating Income	(5,673,198)	523,747	163,770	(369,297)	(186,746)	(218,634)
Income Before Income Tax	(2,786,097)	4,755,818	5,807,598	7,263,076	8,887,278	2,112,990
Income from Continuing Operations after Income Taxes	(3,205,160)	4,426,684	5,040,004	6,008,868	7,291,275	1,666,706
Income from Discontinued Operations	–	–	–	–	–	–
Net Income (Losses)	(3,205,160)	4,426,684	5,040,004	6,008,868	7,291,275	1,666,706
Other Consolidated Income (after-tax)	161,356	45,588	25,678	(138,013)	(497,749)	51,331
Consolidated Net Income	(3,043,804)	4,472,272	5,065,682	5,870,855	6,793,526	1,718,037
Net Income Attributable to Shareholders of the Parent Company	(4,005,195)	3,239,521	4,015,813	4,834,605	5,849,262	1,291,380
Net Income Attributable to Non-Controlling Interests	800,035	1,187,163	1,024,191	1,174,263	1,442,013	375,326
Consolidated Net Income Attributable to Shareholders of the Parent Company	(3,845,686)	3,288,469	4,055,088	4,711,188	5,428,005	1,306,525
Consolidated Net Income Attributable to Non-Controlling Interests	801,882	1,183,803	1,010,594	1,159,667	1,365,521	411,512
Earnings Per Share (NT$)	(5.24)	4.24	5.20	6.20	7.51	1.66

Note 1: No CPA certified data available for 1Q18 as of the date of printing.

Note 2: The listed numbers were certified by CPA.

3. PTI Income Statements – IFRS

Item \ Year	Financial Information for Last Five Years					Mar 31 2018
	2013	2014	2015	2016	2017	
Net Sales	$21,532,399	$24,953,654	$32,568,461	$35,348,214	$37,771,046	Note 1
Gross Profit	2,034,913	3,798,605	6,116,415	7,609,120	8,008,406	
Operating Income	596,982	2,356,631	4,340,438	5,515,633	5,509,933	
Non-Operating Income	(4,381,255)	898,096	170,482	270,378	1,341,740	
Income Before Income Tax	(3,784,273)	3,254,727	4,510,920	5,786,011	6,851,673	
Income from Continuing Operations after Income Taxes	(4,005,195)	3,239,521	4,015,813	4,834,605	5,849,262	
Income from Discontinued Operations	–	–	–	–	–	
Net Income (Losses)	(4,005,195)	3,239,521	4,015,813	4,834,605	5,849,262	
Other Consolidated Income (after-tax)	159,509	48,948	39,275	(123,417)	(421,257)	
Consolidated Net Income	(3,845,686)	3,288,469	4,055,088	4,711,188	5,428,005	
Earnings Per Share (NT$)	(5.24)	4.24	5.20	6.20	7.51	

Note 1: No CPA certified data available for 1Q1 as of the date of printing.

Note 2: The listed numbers were certified by CPA.

3. CPA Opinions for the Last 5 Years

Year	Name of CPA		Opinion
2013	Hung-Peng Lin	Su-Li Fang	Unqualified Modified Audit Report
2014	Hung-Peng Lin	Su-Li Fang	Unqualified Audit Report
2015	Yu-Feng Huang	Su-Li Fang	Unqualified Audit Report
2016	Yu-Feng Huang	Su-Li Fang	Unqualified Audit Report
2017	Yu-Feng Huang	Su-Li Fang	Unqualified Audit Report

2. Financial Analysis for Last 5 years

1. Consolidated Analysis – IFRS

Item	Year	Financial Information for Last Five Years					Mar 31 2018
		2013	2014	2015	2016	2017	
Capital Structure Analysis (%)	Debt Ratio	48.49	43.07	41.49	44.74	50.15	49.12
	Long-term Fund to Fixed Asset Ratio	162.01	156.19	171.78	143.69	132.74	132.06
Liquidity Analysis %	Current Ratio	227.75	268.93	288.18	189.34	170.17	168.43
	Quick Ratio	209.34	243.67	262.76	168.37	150.26	154.62
	Times Interest Earned (Times)	-14.87	25.68	30.13	54.66	38.62	25.24
Operating Performance Analysis	Average Collection Turnover (Times)	4.86	5.23	5.05	4.72	5.04	5.34
	Average Collection Days	75.10	69.78	72.26	77.33	72.42	68.41
	Average Inventory Turnover (Times)	13.35	13.25	12.90	12.42	12.61	14.75
	Average Payment Turnover (Times)	10.12	10.76	10.93	9.92	10.09	12.76
	Days Sales Outstanding	27.34	27.54	28.29	29.39	28.94	24.74
	Fixed Assets Turnover (Times)	1.05	1.06	1.21	1.09	1.02	1.06
	Total Assets Turnover (Times)	0.52	0.58	0.59	0.60	0.60	0.63
Profitability Analysis	Return on Total Assets (%)	-4.24	6.49	7.38	8.06	8.34	6.18
	Return on Equity (%)	-7.99	11.56	12.37	13.93	15.51	11.70
	Ratio of Pre-Tax Income over Capital stock (%)	-35.76	61.04	74.54	93.22	114.06	108.99
	Net Margin(%)	-8.52	8.09	9.44	10.00	9.81	8.12
	Earning per Share(NT)	-5.24	4.24	5.20	6.20	7.51	1.66
Cash Flow	Cash Flow Ratio (%)	91.52	93.98	112.83	77.23	81.13	98.17
	Cash Flow Adequacy Ratio (%)	124.08	104.87	113.72	110.78	86.70	110.46
	Cash Flow Reinvestment Ratio (%)	11.47	8.39	9.66	9.02	10.08	14.82
Leverage	Operating Leverage	6.95	4.96	4.01	3.43	3.74	6.79
	Financial Leverage	1.06	1.05	1.04	1.02	1.03	1.04

Reasons for changes in financial ratios (changes under 20% are exempt from analysis)
1. Decreased of Times Interest Earned due to decrease of Interest Expenses.
2. Increased of Ratio of Pre-Tax Income over Capital stock (%) due to increase of net earning before tax.
3. Increased of earring per share due to increase of net income before tax.
4. Decreased of cash flow ratio due to increase of CAPEX, Inventory, and cash dividends.

Note 1: No CPA certified data available for 1Q18 as of the date of printing.

Note 2: The listed numbers were certified by CPA.

2. PTI Stand Alone Analysis – IFRS

Item	Year	Financial Information for Last Five Years					Mar 31 2018
		2013	2014	2015	2016	2017	
Capital Structure Analysis (%)	Debt Ratio	47.66	45.47	43.75	46.58	47.26	註二
	Long-term Fund to Fixed Asset Ratio	206.86	181.59	205.41	174.34	168.86	
Liquidity Analysis %	Current Ratio	215.24	283.33	274.90	191.60	178.60	
	Quick Ratio	201.63	258.11	250.99	173.97	155.26	
	Times Interest Earned (Times)	-27.70	25.86	26.67	47.90	42.55	
Operating Performance Analysis	Average Collection Turnover (Times)	4.95	5.04	5.42	4.96	5.33	
	Average Collection Days	73.66	72.40	67.31	73.59	68.43	
	Average Inventory Turnover (Times)	15.88	13.99	14.29	13.53	12.79	
	Average Payment Turnover (Times)	9.46	9.64	10.78	9.70	9.25	
	Days Sales Outstanding	22.99	26.09	25.55	26.98	28.54	
	Fixed Assets Turnover (Times)	0.95	0.89	1.29	1.13	1.12	
	Total Assets Turnover (Times)	0.38	0.43	0.54	0.53	0.54	
Profitability Analysis	Return on Total Assets (%)	-6.82	5.86	7.06	7.76	8.60	
	Return on Equity (%)	-12.16	10.61	12.29	13.88	15.84	
	Ratio of Pre-Tax Income over Capital stock (%)	-48.57	41.77	57.90	74.26	87.94	
	Net Margin(%)	-18.60	12.98	12.33	13.68	15.49	
	Earning per Share(NT)	-5.24	4.24	5.20	6.20	7.51	
Cash Flow	Cash Flow Ratio (%)	81.03	73.34	113.70	57.65	118.57	
	Cash Flow Adequacy Ratio (%)	130.14	107.80	108.67	101.10	80.92	
	Cash Flow Reinvestment Ratio (%)	8.21	4.57	8.20	4.95	9.86	
Leverage	Operating Leverage	19.10	5.37	3.78	3.28	3.28	
	Financial Leverage	1.27	1.06	1.04	1.02	1.02	

Reasons for changes in financial ratios (changes under 20% are exempt from analysis)
1. Decreased of earring per share due to decrease of net income before tax.
2.Increased of cash flow ratio due to increase of operation in flow.
3. Increase of Cash Flow Reinvestment Ratio due to increase of operation in flow.

Note 1: No CPA certified data available for 1Q18 as of the date of printing.

Note 2: The listed numbers were certified by CPA.

.1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets
(2) Long-term Fund to Fixed Asset Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets

2. Liquidity Analysis
(1) Current Ratio = Current Assets / Current Liabilities
(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
(3) Times Interest Earned = Earnings before Interest Expense and Net Income / Interest Expense.

3. Operating Performance Analysis
(1) Average Collection Turnover = Net Sales / Average Receivables (including Accounts Receivable arising from Operation Notes Receivables)
(2) Average Collection Days = 365 / Receivables Turnover
(3) Average Inventory Turnover = Cost of Goods Sold / Average Inventory
(4) Average Payment Turnover = Cost of Goods Sold / Average Payables (including Accounts Payable arising from Operation Notes Payables)
(5) Days Sales Outstanding = 365 /Inventory Turnover
(6) Fixed Assets Turnover = Net Sales / Average Net Fixed Assets
(7) Total Assets Turnover = Net sales / Average Total Assets

4. Profitability Analysis
(1) Return on Total Assets = [Net Income + Interest Expense × (1 - Tax Rate)] / Average Total Assets
(2) Return on Equity = Net Income / Average Total Shareholders' Equity
(3) Net Margin = Net Income / Net Sales
(4) Earnings Per Share = (Net Income - Preferred Stock Dividends) / Weighted Average Number of Shares Outstanding

5. Cash Flow
(1) Cash Flow Ratio = Net Cash Flow from Operating Activities / Current Liabilities.
(2) Cash Flow Adequacy Ratio = Five-year Net Cash Flow from Operating Activities / Most Recent Five Years (Capital Expenditure + Inventory + Cash Dividend).
(3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividend) / (Gross Fixed Assets + Investments + Other Assets + Working Capital)

6. Leverage
(1) Operating leverage = (Net Sales - Variable Operating Costs and Expenses) / Income
(2) Financial leverage = Operating income / (Operating Income - Interest Expense)

3. Audit Committee’s Audit Report on Financial Reports

Audit Committee’s Audit Report

May 4, 2018

Audit Committee had performed an audit for PTI’s 2017 financial statements (including parent company and consolidated financial statements) and profit sharing plans. The Audit Committee had concluded the reports conformed to regulations of the Company Act. Our report was presented to conform to Article 14-4 of Security Exchange Act and Article 219 of the Company Act.

Best Regards

Powertech Technology Inc. Shareholders’ Meeting of Jun 8, 2018.

Powertech Technology Inc. Audit Committee
Chair：Jim W.L. Cheng

4. **Financial Statements**

Powertech Technology Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of a parent and its subsidiaries under International Financial Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of a parent and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

POWERTECH TECHNOLOGY INC.

By:

TSAI DUH-KUNG
Chairman

March 16, 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Powertech Technology Inc.

Opinion

We have audited the accompanying consolidated financial statements of Powertech Technology Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the 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, 2017. 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.

The key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2017, are described as follows:

Revenue recognition

1. The sales revenue of the Group is material to the Group. Refer to Note 25 to the accompanying consolidated financial statements for details on sales revenue. The major type of revenue is subcontract revenue. The types of subcontracting transactions include:

    1) Wafer level testing;

    2) Wafer level packaging;

    3) IC packaging; and

    4) IC testing.

2. Of the subcontract revenue, the major revenue of the Group is IC packaging and testing, which make up 91% of the Group's total revenue. The revenue recognition process for these two types of revenue is divided by domestic shipments and overseas shipments. For domestic shipments, when warehouse personnel provide the goods to the customers or their designated forwarders come to transport the goods, the warehouse personnel asks the customers or their designated forwarders to sign for the goods at that time. For overseas shipments, revenue recognition depends on the trade terms stipulating that revenue is recognized when the risk of the goods is transferred to the customers. The revenue recognition process thereof is to have accounting personnel verify the shipment within the computer system, and the system automatically recognizes the sales revenue and issues an invoice.

3. Since the above process consists of manual controls, risk from human error exists in which revenue before or after the end of the reporting period may not be recognized in the appropriate period.

4. We reviewed the Group's revenue recognition policy, assessed the reasonableness of its revenue recognition, traced all of the shipping records with either the first day of shipment after December 31, 2017 or the last day of shipment before December 31, 2017 and confirmed them against relevant supporting documents and accounting records to verify the accuracy of the timing of sales revenue recognition as well as the monetary amounts, and evaluated whether the risk and rewards of goods were transferred.

<u>Capitalization of property, plant and equipment</u>

1. The capital expenditure of the Group relating to property, plant and equipment is significant to its consolidated financial statements. Refer to Note 16 to the accompanying consolidated financial statements for details on property, plant and equipment.

2. To ensure the accuracy of the cost amounts, the requisition, purchasing, verification and recording of the Group's property, plant and equipment are all subject to appropriate sign-off procedures. According to a list of newly acquired, un-capitalized items and unit acceptance forms, each month, the Group's accounting department will record the items that should be capitalized into the computer system of fixed assets per month. It will regularly examine items that were not capitalized for more than three months after their purchase and ask the department using the item to explain the circumstances surrounding why each item which should be capitalized has as of yet remained un-capitalized.

3. Because of the significance of such expenditure amounts, delays in capitalization or errors in cost amounts thereof may lead the consolidated financial statements to not be fairly presented.

4. We reviewed the Group's property, plant and equipment capital expenditure policy, assessed the reasonableness of the timing of capitalization, and conducted the following procedures:

   1) Selecting samples of newly acquired items from the lists of asset details of the year to verify whether the costs are recognized in the appropriate period.

   2) Selecting samples from the list of Advance Payments and Construction in Progress at the year end and performing an on-site inventory count to observe whether such items were not yet ready for their intended use.

   3) Selecting samples of items that were not capitalized for more than three months after their purchase from the list of Advance Payments and Construction in Progress to examine whether the reasons of such items remaining un-capitalized had been explained by applicants or users and were approved by supervisors.

<u>Identification and valuation of tangible assets obtained from acquisition of material subsidiaries</u>

1. Powertech Technology Inc. acquired 47.84% shareholdings in Tera Probe, Inc. and 100% shareholdings in Powertech Technology Akita Inc. through its subsidiary, Powertech Technology Japan Ltd., in May and August 2017, respectively. It was significant to the accompanying consolidated financial statements taken as a whole. Management has completed the identification of the difference between the cost of the investment and the share of the net fair value of identifiable assets and liabilities of Tera Probe, Inc. and its subsidiaries and Powertech Technology Akita Inc. in accordance with the requirements of the International Financial Reporting Standards.

2. While identifying the difference between the cost of the investment and the share of the net fair value of identifiable assets and liabilities of Tera Probe, Inc. and its subsidiaries and Powertech Technology Akita Inc., management measured the fair value of tangible assets and identified possible intangible assets with the related estimated cash flow projections or relief from expenses. The assumptions were of high uncertainty since they are subject to management's judgement in the semiconductor industry varied by economic trends. In addition, the amortization recognized according to the estimated economic beneficial lives of those assets will also impact the Group's share of profit or loss of subsidiaries accounted for using the equity method.

3. Due to the significance of acquisition of these subsidiaries, incorrect identification and valuation of assets in above process may result in unfairly presented financial statements.

4. Please refer to Notes 4(5), 5 and 14 to the accompanying consolidated financial statements for related accounting policies and the uncertainty of accounting estimate and assumptions regarding the investment in the shareholdings of Tera Probe, Inc. and its subsidiaries and Powertech Technology Akita Inc.

5. Our key audit procedures in respect of the above area included the following:

   1) Inquired and evaluated the professionality, competency and objectivity of the external appraisers engaged by management in the process of identifying and valuating assets.

2) Engaged our valuation specialists in evaluating the completeness of the identified assets, the reasonableness of methodology used and assumptions applied (including revenue forecasts, discount rates and estimated useful lives) in the purchase price allocation report as well as the accuracy of the related calculations.

3) Evaluated management's basis for estimated useful lives of identified assets and the appropriateness of the adjustments to the share of the comprehensive income or loss of subsidiaries accounted for using the equity method in the current year; in addition, examined the consolidated financial statements whether the retrospective adjustments and the relevant disclosures have been prepared in accordance with the requirements of the International Financial Reporting Standards.

Other Matter

We have also audited the parent company only financial statements of Powertech Technology Inc. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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 audit committee, 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, 2017 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-Feng Huang and Su-Li Fang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 16, 2018

<u>*Notice to Readers*</u>

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 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 independent auditors' report and consolidated financial statements shall prevail.

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 17,716,582	18	$ 15,835,221	20
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	58,961	-	59,661	-
Held-to-maturity financial assets - current (Notes 4 and 8)	200,102	-	250,314	-
Notes and accounts receivable (Notes 4, 5 and 11)	8,382,978	9	7,600,097	10
Receivables from related parties (Notes 4, 5, 11 and 33)	4,029,506	4	3,655,578	5
Other receivables (Note 4)	247,935	-	170,532	-
Other receivables from related parties (Notes 4 and 33)	9,186	-	94,509	-
Inventories (Notes 4, 5 and 12)	4,078,030	4	3,362,893	4
Prepaid expenses	260,191	-	146,298	-
Non-current assets held for sale (Notes 4 and 13)	1,056,479	1	-	-
Other current assets (Notes 4, 18 and 34)	1,037,446	1	511,131	1
Total current assets	37,077,396	37	31,686,234	40
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 9)	32,670	-	325,803	-
Held-to-maturity financial assets - non-current (Notes 4 and 8)	953,203	1	655,255	1
Debt investments with no active market - non-current (Notes 4, 10 and 34)	1,314,913	2	567,579	1
Investments accounted for using the equity method (Notes 4, 5 and 15)	-	-	1,355,373	2
Property, plant and equipment (Notes 4, 5, 16, 33 and 34)	58,663,021	59	44,173,985	55
Intangible assets (Notes 4, 5 and 17)	1,249,649	1	1,125,149	1
Deferred income tax assets (Notes 4 and 27)	172,963	-	50,735	-
Other non-current assets (Note 4, 5, 18 and 23)	194,613	-	267,433	-
Total non-current assets	62,581,032	63	48,521,312	60
TOTAL	$ 99,658,428	100	$ 80,207,546	100

	2017		2016	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank loans (Notes 19 and 34)	$ 3,842,349	4	$ 1,600,611	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	5,887	-	71,569	-
Notes and accounts payable	4,995,647	5	4,309,467	5
Accrued employees' compensation and remuneration of directors and supervisors (Note 26)	968,624	1	754,269	1
Payables to equipment suppliers	3,183,304	3	3,602,551	5
Other payables to related parties (Note 33)	-	-	4,437	-
Current income tax liabilities (Notes 4 and 27)	1,000,059	1	1,061,774	1
Provisions - current (Notes 4 and 22)	74,554	-	84,686	-
Accrued expenses and other current liabilities (Notes 21 and 35)	7,450,630	8	5,200,373	7
Current portion of long-term debts (Notes 19 and 34)	134,793	-	40,348	-
Finance lease payables - current (Notes 4 and 20)	132,841	-	5,058	-
Total current liabilities	21,788,688	22	16,735,143	21
NON-CURRENT LIABILITIES				
Long-term debts (Notes 19 and 34)	27,017,588	27	18,192,655	23
Deferred income tax liabilities (Notes 4 and 27)	203,163	-	2,951	-
Other long-term payables (Notes 21 and 35)	-	-	685,929	1
Finance lease payables - non-current (Notes 4 and 20)	173,398	-	-	-
Net defined benefit liabilities - non-current (Notes 4, 5 and 23)	396,495	1	243,665	-
Other non-current liabilities (Note 21)	395,667	-	26,783	-
Total non-current liabilities	28,186,311	28	19,151,983	24
Total liabilities	49,974,999	50	35,887,126	45
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE CORPORATION (Notes 4 and 24)				
Capital stock				
Common stock	7,791,466	8	7,791,466	10
Capital surplus	119,593	-	678,047	1
Retained earnings				
Legal reserve	5,837,530	6	5,354,070	7
Unappropriated earnings	24,717,948	24	21,937,776	27
Total retained earnings	30,555,478	30	27,291,846	34
Other equity	(337,628)	-	53,600	-
Treasury stock	(68,099)	-	-	-
Total equity attributable to shareholders of the Corporation	38,060,810	38	35,814,959	45
NON-CONTROLLING INTERESTS (Notes 14 and 24)	11,622,619	12	8,505,461	10
Total equity	49,683,429	50	44,320,420	55
TOTAL	$ 99,658,428	100	$ 80,207,546	100

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

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
NET SALES (Notes 4, 25 and 33)	$ 59,632,083	100	$ 48,343,542	100
OPERATING COSTS (Notes 4, 12, 26 and 33)	46,933,571	79	37,881,516	78
GROSS PROFIT	12,698,512	21	10,462,026	22
OPERATING EXPENSES (Notes 26 and 33)				
Marketing	330,218	-	309,143	1
General and administrative	1,571,055	3	1,151,114	2
Research and development	1,723,215	3	1,369,396	3
Total operating expenses	3,624,488	6	2,829,653	6
OPERATING INCOME	9,074,024	15	7,632,373	16
NONOPERATING INCOME AND EXPENSES				
Other gains and losses (Notes 4, 26 and 33)	174,187	-	(655,641)	(1)
Share of profits of associates (Notes 4 and 15)	108,792	-	205,185	-
Other income (Notes 4, 26 and 33)	223,676	1	74,618	-
Financial costs (Notes 4 and 26)	(236,260)	-	(135,363)	-
Foreign exchange (loss) gain, net (Notes 4 and 26)	(457,141)	(1)	141,904	-
Total nonoperating income and expenses	(186,746)	-	(369,297)	(1)
INCOME BEFORE INCOME TAX	8,887,278	15	7,263,076	15
INCOME TAX EXPENSE (Notes 4 and 27)	1,596,003	3	1,254,208	3
NET INCOME	7,291,275	12	6,008,868	12
OTHER COMPREHENSIVE INCOME (LOSS) (Note 24)				
Items not reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 23)	(40,336)	-	(29,482)	-
Items reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(394,715)	(1)	(157,488)	-

Unrealized (loss) gain on available-for-sale financial assets	(62,698)	-	48,957	-
Total other comprehensive loss	(497,749)	(1)	(138,013)	-
TOTAL COMPREHENSIVE INCOME	$ 6,793,526	11	$ 5,870,855	12

(Continued)

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	**%**	**Amount**	**%**
NET INCOME ATTRIBUTABLE TO				
Shareholders of the Corporation	$ 5,849,262	10	$ 4,834,605	10
Non-controlling interests	1,442,013	2	1,174,263	2
	$ 7,291,275	12	$ 6,008,868	12
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Shareholders of the Corporation	$ 5,428,005	9	$ 4,711,188	10
Non-controlling interests	1,365,521	2	1,159,667	2
	$ 6,793,526	11	$ 5,870,855	12
EARNINGS PER SHARE (Note 28)				
Basic	$ 7.51		$ 6.20	
Diluted	$ 7.46		$ 6.17	

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

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholder of the Corporation										
	Capital Stock Issued and Outstanding			Retained Earnings		Other Equity					
	Stock (In Thousands)	Amount	Capital Surplus	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized (Loss) Gain on Available-for-sale Financial Assets	Treasury Stock	Total	Non-controlling Interest	Total Equity
BALANCE, JANUARY 1, 2016	779,147	$ 7,791,466	$ 1,457,194	$ 4,952,489	$ 19,467,504	$ 167,050	$ (4,919)	$ -	$ 33,830,784	$ 8,125,270	$ 41,956,054
Appropriation of 2015 earnings											
Legal reserve	-	-	-	401,581	(401,581)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(1,947,866)	-	-	-	(1,947,866)	-	(1,947,866)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(779,476)	(779,476)
Issue of cash dividends from capital surplus	-	-	(779,147)	-	-	-	-	-	(779,147)	-	(779,147)
Net income for the year ended December 31, 2016	-	-	-	-	4,834,605	-	-	-	4,834,605	1,174,263	6,008,868
Other comprehensive (loss) income for the year ended December 31, 2016	-	-	-	-	(14,886)	(157,488)	48,957	-	(123,417)	(14,596)	(138,013)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	4,819,719	(157,488)	48,957	-	4,711,188	1,159,667	5,870,855
BALANCE, DECEMBER 31, 2016	779,147	7,791,466	678,047	5,354,070	21,937,776	9,562	44,038	-	35,814,959	8,505,461	44,320,420
Appropriation of 2016 earnings											
Legal reserve	-	-	-	483,460	(483,460)	-	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(2,555,601)	-	-	-	(2,555,601)	-	(2,555,601)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(893,149)	(893,149)
Donations from shareholders	-	-	52	-	-	-	-	-	52	70	122
Issue of cash dividends from capital surplus	-	-	(560,986)	-	-	-	-	-	(560,986)	-	(560,986)
Net income for the year ended December 31, 2017	-	-	-	-	5,849,262	-	-	-	5,849,262	1,442,013	7,291,275
Other comprehensive loss for the year ended December 31, 2017	-	-	-	-	(30,029)	(328,712)	(62,516)	-	(421,257)	(76,492)	(497,749)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	5,819,233	(328,712)	(62,516)	-	5,428,005	1,365,521	6,793,526
The Corporation's stocks held by its subsidiary are treated as treasury stock	-	-	-	-	-	-	-	(68,099)	(68,099)	(90,621)	(158,720)
Adjustment of capital surplus due to dividends distributed to subsidiaries	-	-	2,480	-	-	-	-	-	2,480	-	2,480
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	2,735,337	2,735,337
BALANCE, DECEMBER 31, 2017	779,147	$ 7,791,466	$ 119,593	$ 5,837,530	$ 24,717,948	$ (319,150)	$ (18,478)	$ (68,099)	$ 38,060,810	$ 11,622,619	$ 49,683,429

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

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Current income before income tax	$ 8,887,278	$ 7,263,076
Adjustments for:		
Depreciation	10,493,833	8,464,357
Amortization	98,252	111,579
Impairment loss recognized on trade receivables	18,155	706
Net (gain) loss on fair value change of financial assets designated as at fair value through profit or loss	(5,295)	1,774
Financial costs	236,260	135,363
Premium amortization of held-to-maturity financial assets	2,267	2,411
Interest revenue	(62,491)	(73,242)
Dividend income	(263)	(161)
Share of profits of associates	(108,792)	(205,185)
Net loss (gain) on disposal of property, plant and equipment	244,155	(59,255)
Loss on disposal of intangible assets	-	59
Gain on disposal of available-for-sale financial assets	(144,590)	(1,126)
Impairment loss on financial assets	-	121,866
Impairment loss on non-financial assets	145,938	-
Loss on foreign currency exchange, net	306,874	180,824
Gain from bargain purchase	(140,000)	-
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets held for trading	9,043	(35,200)
Decrease (increase) in notes and accounts receivable	568,027	(2,569,033)
(Increase) decrease in accounts receivable from related parties	(446,228)	715,627
Decrease (increase) in other receivables	180,489	(47,265)
Decrease (increase) in other receivables from related parties	85,323	(81,378)
Increase in inventories	(563,595)	(626,393)
Increase in prepayments	(73,500)	(12,502)
Increase in other current assets	(324,136)	(164,456)
(Decrease) increase in financial liabilities held for trading	(65,682)	67,152
Increase in accounts payable	478,242	967,496
Increase in accrued employees' compensation and remuneration of directors and supervisors	214,355	108,903
Decrease in other payables to related parties	(4,437)	(11,281)
Increase in accrued expenses and other current liabilities	118,604	924,513
(Decrease) increase in provisions	(10,132)	30,283
Decrease in net defined benefit liabilities	(8,484)	(14,840)
Decrease in other payables	(441,193)	(1,165,778)
Cash generated from operations	19,688,277	14,028,894
Interest received	62,395	75,075
Interest paid	(314,140)	(209,456)

Income tax paid	(1,759,092)	(970,358)
Net cash generated from operating activities	17,677,440	12,924,155

(Continued)

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	$ -	$ 5,122
Purchase of debt investments with no active market	(768,061)	-
Proceeds from sale of debt investments with no active market	31,670	1,881
Purchase of held-to-maturity financial assets	(500,003)	(204,185)
Proceeds from sale of held-to-maturity financial assets	250,000	200,000
Acquisition of investments accounted for using the equity method	-	(294,000)
Net cash inflow on acquisition of subsidiaries (Note 29)	1,174,598	-
Acquisition of property, plant and equipment	(19,634,721)	(16,300,576)
Disposal of property, plant and equipment	288,392	723,539
Increase in refundable deposits	(4,219)	(835)
Increase in intangible assets	(46,676)	(11,166)
Decrease (increase) in prepayments for equipment	278,185	(29,967)
Decrease (increase) in other prepayments	7,827	(100,828)
Dividend received from associates	82,354	27,944
Other dividends received	263	161
Net cash used in investing activities	(18,840,391)	(15,982,910)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	2,258,794	1,254,391
Proceeds from long-term debts	27,697,455	38,292,201
Repayments of long-term debts	(22,206,011)	(36,724,616)
Proceeds from guarantee deposits received	-	2,215
Refunds of guarantee deposits received	(26,134)	-
Decrease in finance lease payables	(109,541)	(8,765)
Dividends paid to shareholders of the Corporation	(3,114,107)	(2,727,013)
Dividends paid to non-controlling interests	(893,149)	(779,476)
Payment for buy-back of treasury stock	(158,720)	-
Donations from shareholders	122	-
Net cash generated from (used in) financing activities	3,448,709	(691,063)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(404,397)	(144,598)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,881,361	(3,894,416)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,835,221	19,729,637

CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,716,582	$ 15,835,221

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

1. GENERAL INFORMATION

Powertech Technology Corporation (the “Corporation”) was incorporated in the Republic of China (“ROC”) on May 15, 1997 and commenced business in September, 1997. The Corporation and its subsidiaries (collectively referred to as the “Group”) mainly manufacture, package, test and sell various integrated circuit product as well as researching and developing, designing, assembling, testing and manufacturing various integrated circuits. The Corporation also provides semiconductor testing and assembly services on a turnkey basis, in which the Corporation buys fabricated wafers and sells tested and assembled semiconductors. The address of its registered office and principal place of business is Hsinchu Industrial Park, Hukou, Hsinchu.

The Corporation’s stocks have been listed on the Taiwan Stock Exchange (“TWSE”) on November 8, 2004 after being traded on the Taipei Exchange (“TPEx”) starting on April 3, 2003. The Corporation also issued Global Depositary Shares (“GDS”), which are listed on the Luxembourg Stock Exchange and traded on the Euro MTF Market. The GDS was accepted for quotation on the International Order Book of the London Stock Exchange Limited.

The consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Corporation’s stock is listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and issued on March 16, 2018.

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

a. Initial application of the 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) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

   1) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is the fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique.

2) Annual Improvements to IFRSs 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Corporation or another entity in the same group or the market price of the equity instruments of the Corporation or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions are accounted for differently, and the aforementioned amendment should be applied prospectively to those share-based payments granted on or after January 1, 2017.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate should be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 “Related Party Disclosures” was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the services paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

3) Annual Improvements to IFRSs 2011-2013 Cycle

Several standards, including IFRS 3 and IFRS 13, were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself. The amendment should be applied prospectively starting from January 1, 2017.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32.

4) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) The intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or

b) It can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

5) Annual Improvements to IFRSs 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale. The amendment should be applied prospectively to transactions that occur on or after January 1, 2017.

6) 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 and issued into effect by the FSC. 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 transaction amount or balance with a specific related party is 10% or more of the Group's respective total transaction amount 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 operation conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 33 for related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by International Accounting Standards Board (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
Amendments 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
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15"Clarifications to IFRS15 Revenue from Contracts with Customers"	January 1, 2018
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.

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment 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 any impairment loss 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 collecting contractual cash flows and selling 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 gain or loss shall be 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.

The Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

b) Debt investments classified as held-to-maturity financial assets and debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect the contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost and contract assets arising from IFRS 15 "Revenue from Contracts with Customers". 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 initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables 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.

The Group has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for trade receivable and contract assets. In relation to the debt instrument investments, the Group will assess whether there has been a significant increase in the credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets, liabilities and equity			
Held-to-maturity financial assets - current	$ 200,102	$ (200,102)	$ -
Financial assets measured at amortized cost - current	-	200,102	200,102
Available-for-sale financial assets - non-current	32,670	(32,670)	-
Financial assets at fair value through other comprehensive income - non-current	-	32,670	32,670
Held-to-maturity financial assets - non- current	953,203	(953,203)	-
Debt investments with no active market - non-current	1,314,913	(1,314,913)	-
Financial assets measured at amortized cost - non-current	-	2,268,116	2,268,116
Total effect on assets	$ 2,500,888	$ -	$ 2,500,888
Other equity			
Unrealized gains (losses) on available-for-sale financial assets	$ (18,478)	$ 18,478	$ -
Unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	(18,478)	(18,478)
Total effect on equity	$ (18,478)	$ -	$ (18,478)

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Group recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Corporation satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Corporation regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

For the manufacturing of customer-specific goods, if the customer controls the goods when they are created or enhanced, revenue will be recognized over time under IFRS 15. Currently, the Group recognizes revenue when goods are delivered.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, the receivable is recognized or the deferred revenue is reduced when revenue is recognized for the contract under IAS 18.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in the retained earnings on January 1, 2018.

In addition, the Group will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 15 as of January 1, 2018 is detailed below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Inventories	$ 4,078,030	$ (1,508,892)	$ 2,569,138
Contract assets - current	-	1,683,071	1,683,071
Total effect on assets	$ 4,078,030	$ 174,179	$ 4,252,209
Unearned sales revenue	$ 43,742	$ (43,742)	$ -
Contract liabilities - current	-	43,742	43,742
Total effect on liabilities	$ 43,742	$ -	$ 43,742
Retained earnings	$ 30,555,478	$ 107,043	$ 30,662,521
Non-controlling interests	11,622,619	67,136	11,689,755
Total effect on equity	$ 42,178,097	$ 174,179	$ 42,352,276

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

In assessing deferred tax asset, the Group currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendment will be applied retrospectively in 2018, and no material impact is expected.

4) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation, and no material impact is expected.

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.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of	To be determined by IASB

Assets between an Investor and its Associate or Joint Venture”	
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

2) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

4) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

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 IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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 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, 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.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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 14 and Note 37 k 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 interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds 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 interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

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 at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

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 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 purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and 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. Investment in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for its investments in associates and joint ventures.

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

The amount of acquisition cost that exceeds the net fair value share of the identifiable assets and liabilities of the affiliated company owned by the company on the day of acquisition is included in the goodwill. The goodwill is included in the book value of the investment and may not be amortized; The amount of the net fair value share of the identifiable assets and liabilities of an affiliated company that exceeds the acquisition cost is listed as current income.

When the Group subscribes for additional new shares of the associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates and joint ventures. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized 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 Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company ceases to adopt the equity method on the date that its investment ceases to be an affiliated company. Its retained interest in the original affiliated company is measured at fair value. The difference between the fair value and disposal price and the investment amount at the date when the equity method ceases to be used is listed as the current profit and loss. In addition, the basis for accounting treatment of all amounts related to the related company that is recognized in other comprehensive profit and loss is the same as that must be followed if the related company directly disposes of the relevant assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant, and equipment

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

Property, plant and equipment in the course of construction (including bearer plants before they are placed in the location and condition necessary to be capable of operating in the manner intended by management) are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Starting from January 1, 2017, depreciation of property, plant and equipment is recognized using the straight-line method. Depreciation of X equipment was recognized using revenue-based method on and before December 31, 2017. 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 methods are reviewed at the end of each reporting period, with the effects of any changes in estimates 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.

j. 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 (referred to as cash-generating units) that are 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 attributable 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 for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal, and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. 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) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

3) 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.

4) Derecognition of intangible assets

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

l. 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/Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

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 for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

n. 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, held-to-maturity investments, 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 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 incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 32.

ii. Held-to-maturity investments

Corporate bonds, which the Group has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii. 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 profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

iv. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, debt investments with no active market, other receivables and other assets) 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 be 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 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 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.

For financial assets carried at amortized cost, such as trade 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 of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

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 occurring 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:

i. significant financial difficulty of the issuer or counterparty,

ii. breach of contract, such as a default or delinquency in interest or principal payments,

iii. it becoming probable that the borrower will enter bankruptcy or financial re-organization, or

iv. 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is 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 trade receivables and other receivables 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) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities are held for trading.

Financial liabilities at fair value through profit or loss are stated at 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 incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 32.

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.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

o. Provisions

Provisions, including Indemnification payable, are measured at the best estimate 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. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

p. 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. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when 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

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 at the effective interest rate applicable.

q. 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

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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

r. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

s. 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 cost (including current service cost, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs/when the settlement occurs. 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 they occur. 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 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.

t. 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.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences 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, and interests in joint arrangements, 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 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 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current 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 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. Fair value measurement and evaluation process

When there is no quoted market price for assets and liabilities measured in fair value in the active market, the company shall determine whether to make an outsourcing assessment and determine an appropriate fair value assessment technique according to relevant laws and regulations or judgments.

For a description of fair value assessment techniques and input values, please refer to Note 32 "Financial Instruments".

b. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between an asset's carrying amount and the present value of its 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.

c. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

d. Impairment of investments in associates

The Group immediately recognizes impairment losses on its net investment in an associate when there is any indication that the investment may be impaired and the carrying amounts may not be recoverable. The Group also takes into consideration the market conditions and industry development to evaluate the appropriateness of the relevant assumptions.

For the years ended December 31, 2017 and 2016, the Group didn’t recognize any impairment loss in associates.

e. Impairment of goodwill included in the investments in subsidiaries

Determining whether the goodwill included in the investments in subsidiaries is impaired requires an estimation of the value in use of the cash-generating units which are expected to benefit from the synergies of the related combination and to which the goodwill has been allocated since the acquisition date. The calculation of the value in use requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

f. Useful lives of property, plant and equipment

Note 4 (i) describes that the Corporation reviews the estimated useful lives of property, plant and equipment at each balance sheet date. According to evaluation report by China Property Appraising Co., Ltd., through process of industry meta-analysis, functional analysis and economic analysis, the actual useful lives of the Corporation’s equipment have had exceed the original useful lives. The Corporation determined that the useful lives of certain items of machinery and equipment should be extended from 4 or 6 years to 8 years from January 1, 2014.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to decrease the consolidated depreciation expense for 2014 and for the future years, by the following amounts:

	Amount
2014	$(560,670)
2015	(295,092)
2016	16,683
2017	157,429
2018	309,629
2019 and offer	372,621

g. Impairment of property, plant and equipment

The impairment of equipment was based on the recoverable amounts of those assets, which are the higher of their fair value less costs of disposal and their value in use. Any changes in the market prices or future cash flows will affect the recoverable amounts of those assets and may lead to the recognition of additional impairment losses or reversal of impairment losses.

h. Impairment of intangible assets

In the process of evaluating the potential impairment of intangible assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of semiconductor industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges in future periods.

For the years ended December 31, 2017 and 2016, the Group didn’t have any impairment loss.

i. Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

j. Control over subsidiaries

Note 14 describes that Greatek Electronics Inc. is a subsidiary of the Group although the Group only owns less than 50% ownership interest in Greatek Electronics Inc. After considering the Group’s absolute size of holding in Greatek Electronics Inc. and the relative size of and dispersion of the shareholdings owned by the other shareholders, and the contractual arrangements between the Group and other investors, potential voting interests and other reason, the management concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Greatek Electronics Inc. and therefore the Group has control over Greatek Electronics Inc.

k. Fair value measurements and valuation processes

If some of the Group’s assets and liabilities measured at fair value have no quoted prices in active markets, the Group to determine whether to engage third party qualified vaulters and to determine the appropriate valuation techniques for fair value measurements.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note 32.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Checking accounts and demand deposits	$ 16,967,863	$ 14,791,334
Cash on hand	719	830
Cash equivalents		
Repurchase agreements collateralized by bonds	748,000	1,043,057
	$ 17,716,582	$ 15,835,221

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

	December 31 2017	December 31 2016
Bank balance	0%-1.75%	0%-1.16%
Repurchase agreements collateralized by bonds	0.36%	0.32%-0.35%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2017	December 31 2016
Financial assets at FVTPL - current		
Financial assets held for trading - current		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 8,799	$ 640
Non-derivative financial assets		
Mutual funds	50,162	59,021
	$ 58,961	$ 59,661
Financial liabilities at FVTPL - current		
Financial liabilities held for trading - current		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 5,887	$ 71,569

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Contract Amounts (In Thousands)
December 31, 2017			
Sell forward exchange contracts	USD to NTD	2018.01.03-2018.03.08	USD40,928
	USD to JPY	2018.01.05-2018.06.08	USD32,006
December 31, 2016			
Sell forward exchange contracts	USD to NTD	2017.01.09-2017.03.09	USD 6,100
	USD to JPY	2017.01.13-2017.03.17	USD40,265

The Group entered into foreign exchange forward contracts during the 2017 and 2016 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

8. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Domestic investments		
Corporate bonds - 02 Taiwan Power Company 1A Bond	$ 200,102	$ -
Corporate bonds - 01 TSMC 2A Bond	-	200,302
Corporate bonds - 01 TSMC 1A Bond	-	50,012
	$ 200,102	$ 250,314
Noncurrent		
Domestic investments		
Corporate bonds - P06 Taiwan Power Company 1A Bond	$ 300,001	$ -
Corporate bonds - 02 Taiwan Power Company 1B Bond	152,641	153,758
Corporate bonds - 01 TSMC 1B Bond	100,560	101,099
Corporate bonds - P06 Taiwan Power Company 3A Bond	100,001	-
Corporate bonds - P04 Hon Hai 4C Bond	100,000	100,001
Corporate bonds - P04 FENC 4 Bond	100,000	100,000
Corporate bonds - P06 FPC 1A Bond	100,000	-
Corporate bonds - 02 Taiwan Power Company 1A Bond	-	200,397
	$ 953,203	$ 655,255

On August 7, 2014, the Group bought corporate bonds issued by TSMC with an effective interest rate of 1.02% at premium value $201,523 thousand (par value $200,000 thousand), and a maturity date of August 2, 2017, at par value of $200,000 thousand.

On March 19, 2015, the Group bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13% at premium value $200,917 thousand (par value $200,000 thousand), and a maturity date of May 6, 2018, at par value of $200,000 thousand.

On October 20, 2015, the Group bought corporate bonds issued by TSMC, which have an effective interest rate of 0.91%; a premium value of $101,740 thousand (par value $100,000 thousand); and maturity on January 11, 2019.

On October 23, 2015, the Group bought corporate bonds issued by HON HAI PRECISION IND. CO., LTD., which have an effective interest rate of 1.15%; a premium value of $100,001 thousand (par value $100,000 thousand); and maturity on September 29, 2019.

On November 16, 2015, the Group bought corporate bonds issued by Far Eastern New Century Corporation, which have an effective interest rate of 1.25%; a premium value of $100,001 thousand (par value $100,000 thousand); and maturity date on November 16, 2020.

On September 26, 2016, the Group bought corporate bonds issued by TSMC, which have an effective interest rate of 0.39%; at premium value $50,131 thousand (par value $50,000 thousand); and a maturity date on January 11, 2017.

On September 26, 2016, the Group bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.63% at premium value $154,054 thousand (par value $150,000 thousand) and a maturity date on May 6, 2020.

On April 21, 2017, the Group bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 1.13% at premium value $300,002 thousand (par value $300,000 thousand) and a maturity date of April 21, 2022.

On May 19, 2017, the Group bought corporate bonds issued by Formosa Plastics Corporation with an effective interest rate of 1.09% at premium value $100,001 thousand (par value $100,000 thousand) and maturity dates of May 19, 2021 and May 19, 2022 at par value of $50,000 thousand, respectively.

On December 15, 2017, the Group bought corporate bonds issued by Taiwan Power Company with an effective interest rate of 0.88% at premium value $100,001 thousand (par value $100,000 thousand) and maturity dates of December 15, 2021 and December 15, 2022 at par value of $50,000 thousand, respectively.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Non-current		
Foreign investments		
Listed share	$ -	$ 296,957
Domestic investments		
Listed share	32,670	28,846
	$ 32,670	$ 325,803

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Non-current		
Time deposits with original maturity of more than 3 months	$ 768,210	$ -
Pledged time deposits	546,703	567,579
	$ 1,314,913	$ 567,579

a. The market interest rates of the pledged time deposits were 0.60%-1.10% and 0.60%-1.16% per annum, respectively, as of December 31, 2017 and 2016.

b. Refer to Note 34 for information relating to debt investments with no active market pledged as security.

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2017	**2016**
Notes receivable - third parties	$ 76,020	$ 70,892
Accounts receivable - third parties	8,346,431	7,553,022
Less: Allowance for impairment loss	(39,473)	(23,817)
	$ 8,382,978	$ 7,600,097

The average credit period on sales of goods was 7 to 150 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss were recognized reference to past default experience of the counterparties and an analysis of their current financial position.

For the trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss. There had not been a significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements over these balances nor did it have a legal right to offset against any amounts owed by the Group to the counterparty.

Age of receivables was as follow:

	December 31	
	2017	**2016**
Less than 60 days	$ 6,993,097	$ 6,522,199
61-90 days	833,361	879,230
91-120 days	490,696	151,193
More than 120 days	29,277	-
	$ 8,346,431	$ 7,553,022

The above analysis was based on the invoice date.

Age of receivables that are past due but not impaired was as follow:

	December 31	
	2017	**2016**
Less than 60 days	$ 28,566	$ 22,294
61-90 days	2,931	35
91-120 days	55	1,692
More than 120 days	66	-
	$ 31,618	$ 24,021

Above analysis was based on the past due date.

Movement in the allowance for impairment loss recognized on accounts receivables were as follow:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ 7,292	$ 15,868	$ 23,160
Add: Impairment losses recognized on receivables	706	-	706
Foreign exchange translation gains and losses	(49)	-	(49)
Balance at December 31, 2016	$ 7,949	$ 15,868	$ 23,817
Balance at January 1, 2017	$ 7,949	$ 15,868	$ 23,817
Add: Impairment losses recognized on receivables	35	18,120	18,155
Less: Amounts written off during the year as uncollectible	(1,876)	(508)	(2,384)
Foreign exchange translation gains and losses	(115)	-	(115)
Balance at December 31, 2017	$ 5,993	$ 33,480	$ 39,473

Included in the allowance for impairment loss were individually impaired trade receivables amounting to $5,993 thousand and $7,949 thousand as of December 31, 2017 and 2016, respectively. These amounts relate to customers that had been in significant financial difficulty. The impairment recognized represents the carrying amount of these accounts receivables.

12. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 376,645	$ 423,019
Work in progress	1,132,247	811,123
Raw materials	2,179,766	1,811,887
Supplies	389,372	316,864
	$ 4,078,030	$ 3,362,893

The costs of inventories recognized as cost of goods sold were as follows:

	For the Year Ended December 31	
	2017	2016
Operating costs	$ 46,933,571	$ 37,881,516
Write-downs of inventories	$ 52,869	$ 97,266
Unallocated overheads	$ 3,344,401	$ 2,473,758
Sales of scrapes	$ 113,912	$ 111,720

13. NON-CURRENT ASSETS HELD FOR SALE

	For the Year Ended December 31	
	2017	**2016**
Equipment held for sale	$ 1,056,479	$ -

Tera Probe, Inc., the subsidiary of the Group, signed up a sales contract for some machinery and equipment in April 2017. Since the transaction occurred before the Group obtained control over Tera Probe, Inc., the selling price was included in the asset price acquired on the acquisition date, refer to Note 29. This disposition plan is expected to be completed in May 2018.

14. SUBSIDIARIES

a. Subsidiary included in the consolidated financial statements

			Proportion of Ownership (%) December 31		
Investor	**Investee**	**Nature of Activities**	**2017**	**2016**	**Remark**
Powertech Technology Inc.	Powertech Holding (BVI) Inc.	Investment business	100	100	-
	Greatek Electronics Inc. ("GEI")	Semiconductor assembly and testing service	43	43	Notes 1 and 2
	Powertech Technology (Singapore) Pte. Ltd.	Integrated circuit testing and assembly service	100	100	-
	Powertech Technology (Xian) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	36	-	Note 3
	Powertech Technology Japan Ltd.	Investment business	100	-	Note 4
	Tera Probe, Inc.	Wafer probing test services	12	12	Notes 2 and 5
	TeraPower Technology Inc.	Wafer probing test services	49	49	Note 6
Powertech Holding (BVI) Inc.	PTI Technology (Singapore) Pte. Ltd.	Investment business	100	100	-
PTI Technology (Singapore) Pte. Ltd.	Powertech Technology (Suzhou) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	100	100	-
Powertech Technology (Singapore) Pte. Ltd.	Powertech Technology (Xian) Ltd.	Semiconductor testing design, manufacturing, sales business and assembly services	64	100	Note 3
Powertech Technology Japan Ltd.	Tera Probe, Inc.	Wafer probing test services	47	-	Notes 2 and 5
	Powertech Technology Akita Inc.	Wafer probing test services	100	-	Note 8
Tera Probe, Inc.	TeraPower Technology Inc.	Wafer probing test services	51	-	Note 6
	Tera Probe Aizu, Inc.	Wafer probing test services	100	-	Note 7

Note 1: On the reelection of the directors and supervisors of Greatek Electronics Inc., the Corporation got a majority of the directors seats and become subsidiary even the Corporation only have 43% ownership of Greatek Electronics Inc.

Note 2: Subsidiaries that have material non-controlling interests.

Note 3: The Corporation invested Powertech Technology (Xian) Co., Ltd. directly in January 2017, and got 36% ownership of it. As a result, Powertech Technology (Singapore) Pte. Ltd. got 64% ownership of it.

Note 4: The subsidiary was established in January 2017.

Note 5: Powertech Technology Japan Ltd. intended to acquire the shares of Tera Probe, Inc. by means of the tender offer in April 2017 and finished the acquisition in May 2017. 47% ownership of Tera Probe, Inc. was acquired by tender offer. Together with 12% ownership the Corporation originally held, the total ownership was 59% and therefore the Group has control over Tera Probe, Inc. Refer to Note 29.

Note 6: The Corporation has 49% ownership of TeraPower Technology Inc. and Tera Probe, Inc. has 51% ownership of TeraPower Technology Inc. Since the Corporation already had control over Tera Probe, Inc. in May 2017, it also had control over TeraPower Technology Inc. Refer to Note 29.

Note 7: Tera Probe Aizu, Inc. is a 100% owned subsidiary of Tera Probe, Inc.

Note 8: Powertech Technology Japan Ltd. finished the acquisition of Powertech Technology Akita Inc. in August 2017, and the total ownership was 100%. Therefore the Group has control over Powertech Technology Akita Inc. Refer to Note 29. Besides, Powertech Technology Japan Ltd. participated the issuance of common stock of Powertech Technology Akita Inc. on October 25, 2017, and the investment amount was 980,000 thousands of yen.

b. Details of subsidiaries that have material non-controlling interests

		Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
Name of Subsidiary	**Principal Place of Business**	**2017**	**2016**
Greatek Electronics Inc.	Zhunan Township, Miaoli County	57%	57%
Tera Probe, Inc.	Japan	41%	-

	Profit Allocated to Non-controlling Interests		**Accumulated Non-controlling Interests**	
	For the Year Ended December 31		**December 31**	
Name of Subsidiary	**2017**	**2016**	**2017**	**2016**
Greatek Electronics Inc.	$1,433,849	$1,174,263	$8,943,679	$8,505,461
Tera Probe, Inc.	$ 8,164	$ -	$2,678,940	$ -

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Greatek Electronics Inc.

	December 31	
	2017	2016
Current assets	$ 7,476,651	$ 8,221,075
Non-current assets	10,663,235	9,148,155
Current liabilities	(2,396,897)	(2,561,758)
Non-current liabilities	(219,050)	(206,740)
Equity	$ 15,523,939	$ 14,600,732
Equity attributable to:		
Owners of the Corporation	$ 6,660,574	$ 6,264,471
Non-controlling interests	8,863,365	8,336,261
	$ 15,523,939	$ 14,600,732

	For the Year Ended December 31	
	2017	2016
Operating revenue	$ 11,951,769	$ 10,571,712
Net income for the year	$ 2,508,628	$ 2,238,680
Other comprehensive income for the year	(21,217)	(25,564)
Total comprehensive income for the year	$ 2,487,411	$ 2,213,116
Net income attributable to:		
Owners of the Corporation	$ 1,076,331	$ 960,510
Non-controlling interests	1,432,297	1,278,170
	$ 2,508,628	$ 2,238,680
Total comprehensive income attributable to:		
Owners of the Corporation	$ 1,067,228	$ 949,542
Non-controlling interests	1,420,183	1,263,574
	$ 2,487,411	$ 2,213,116
Net cash inflow (outflow) from :		
Operating activities	$ 4,422,779	$ 3,812,920
Investing activities	(3,662,141)	(2,850,702)
Financing activities	(1,566,204)	(1,365,230)
Net cash outflow	$ (805,566)	$ (403,012)
Dividends paid to non-controlling interest Greatek Electronics Inc.	$ 893,149	$ 779,476

Tera Probe, Inc.

	December 31, 2017
Current assets	$ 3,019,962
Non-current assets	5,008,209
Current liabilities	(1,352,203)
Non-current liabilities	(594,760)
Equity	$ 6,081,208
Equity attributable to:	
Owners of the Corporation	$ 3,614,670
Non-controlling interests	2,466,538
	$ 6,081,208

	For the Period from May 29, 2017 (the Acquisition Date) to December 31, 2017
Operating revenue	$ 3,760,828
Net income	$ 37,644
Other comprehensive loss for the year	(88,502)
Total comprehensive income for the year	$ 126,146
Net income attributable to:	
Owners of the Corporation	$ 22,344
Non-controlling interests	15,300
	$ 37,644
Total comprehensive income attributable to:	
Owners of the Corporation	$ 74,981
Non-controlling interests	51,165
	$ 126,146
Cash flow inflow (outflow) from:	
Operating activities	$ 841,640
Investing activities	(2,947,345)
Financing activities	1,254,480
Net cash outflow	$ (851,225)

The share of profit or loss and other comprehensive income of those subsidiaries for the years ended December 31, 2017 and 2016 was based on the subsidiaries' financial statements audited by the auditors for the same years.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates

	December 31	
	2017	**2016**
Immaterial associate		
TeraPower Technology Inc.	$ -	$ 1,355,373

	Proportion of Ownership and Voting Right	
	December 31	
Name of Associate	**2017**	**2016**
TeraPower Technology Inc.	-	49%

In August 2008, the Corporation signed an agreement with Tera Probe, Inc. to jointly establish TeraPower Technology Inc. ("TeraPower"), and the related investment was accounted for by the equity method. TeraPower mainly renders wafer probing test services to semiconductor product makers.

Since the Corporation already had control over Tera Probe, Inc. in May 2017, it also had control over TeraPower Technology Inc. Refer to Note 14.

Aggregate information on the associate is as follows:

	For the Year Ended December 31	
	2017	**2016**
The Group's share of:		
Net income	$ 108,792	$ 205,185
Other comprehensive income	-	-
Total comprehensive income	$ 108,792	$ 205,185

The calculation of the investment accounted for by the equity method and the share of profit or loss and other comprehensive income of the investment for the years ended December 31, 2017 and 2016 was based on the associate's audited financial statements for the same years as those of the Corporation.

16. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2017	2016
Carrying amounts of each class		
Land	$ 3,317,858	$ 2,480,125
Buildings	14,329,813	9,844,420
Machinery and equipment	30,355,038	21,568,223
Office equipment	620,938	246,047
Leasehold improvements	64,384	130,459
Other equipment	734,657	525,983
Construction in progress	872,522	2,082,012
Advance payments	8,257,379	7,196,731
Spare parts	110,432	99,985
	$ 58,663,021	$ 44,173,985

For the Year Ended December 31, 2016

	Land	Building	Machinery and Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Advance Payments	Spare Parts	Total
Cost										
Balance, beginning of year	$ 2,476,296	$15,677,218	$56,760,192	$ 1,358,189	$ 676,309	$ 3,022,442	$ 840,595	$ 2,982,290	$ 97,403	$83,890,934
Additions	3,784	103,156	1,183,249	30,866	3,673	32,711	2,532,298	14,095,172	296,228	18,281,137
Disposals	-	(440,773)	(5,529,932)	(48,018)	(326,487)	(222,059)	(1,698)	(10,835)	(286,627)	(6,866,429)
Reclassified	45	1,946,948	8,588,012	166,268	(7,939)	436,123	(1,273,049)	(9,856,408)	-	-
Effects of foreign currency exchange differences	-	(154,965)	(204,513)	(61,265)	(9,826)	(829)	(16,134)	(13,488)	(216)	(461,236)
Balance, end of year	2,480,125	17,131,584	60,797,008	1,446,040	335,730	3,268,388	2,082,012	7,196,731	106,788	94,844,406
Accumulated depreciation										
Balance, beginning of year	-	6,590,003	37,651,059	1,078,173	333,415	2,685,887	-	-	1,201	48,339,738
Depreciation expense	-	967,270	6,762,504	85,669	54,383	302,325	-	-	292,206	8,464,357
Disposals	-	(408,718)	(5,072,644)	(45,315)	(169,613)	(192,826)	-	-	(286,572)	(6,175,688)
Reclassified	-	8,423	2,741	41	(8,464)	(2,741)	-	-	-	-
Effects of foreign currency exchange differences	-	(81,247)	(145,936)	(1,597)	(4,450)	(50,240)	-	-	(32)	(283,502)
Balance, end of year	-	7,075,731	39,197,724	1,116,971	205,271	2,742,405	-	-	6,803	50,344,905
Accumulated impairment										
Balance, beginning of year	-	236,303	53,441	93,016	-	-	-	-	-	382,760
Disposals	-	(4,302)	(18,501)	(1,908)	-	-	-	-	-	(24,711)
Effects of foreign currency exchange differences	-	(20,568)	(3,879)	(8,086)	-	-	-	-	-	(32,533)
Balance, end of year	-	211,433	31,061	83,022	-	-	-	-	-	325,516
Net book value, end of year	$ 2,480,125	$ 9,844,420	$21,568,223	$ 246,047	$ 130,459	$ 525,983	$ 2,082,012	$ 7,196,731	$ 99,985	$44,173,985

For the Year Ended December 31, 2017

	Land	Building	Machinery and Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Advance Payments	Spare Parts	Total
Cost										
Balance, beginning of year	$ 2,480,125	$17,131,584	$60,797,008	$ 1,446,040	$ 335,730	$ 3,268,388	$ 2,082,012	$ 7,196,731	$ 106,788	$94,844,406
Acquisitions through business combinations	673,213	1,713,889	13,826,672	1,140,716	162,563	140,795	10,797	1,635,816	-	19,304,461
Additions	30,682	404,510	3,068,939	60,639	691	99,901	1,685,941	12,903,749	334,318	18,589,370
Disposals	-	(311,496)	(4,418,107)	(133,832)	(11,531)	(170,519)	-	(16,787)	(318,341)	(5,380,613)
Reclassified	134,386	4,347,545	11,282,092	263,410	(52,433)	329,153	(2,901,493)	(13,424,935)	-	(22,275)
Effects of foreign currency exchange differences	(548)	(39,703)	(629,540)	(47,349)	(27,026)	(20,328)	(4,735)	(37,195)	(1,184)	(807,608)
Balance, end of year	3,317,858	23,246,329	83,927,064	2,729,624	407,994	3,647,390	872,522	8,257,379	121,581	126,527,741
Accumulated depreciation										
Balance, beginning of year	-	7,075,731	39,197,724	1,116,971	205,271	2,742,405	-	-	6,803	50,344,905
Acquisitions through business combinations	-	609,858	10,342,126	873,307	53,868	19,722	-	-	-	11,898,881
Depreciation expense	-	1,313,548	8,359,757	192,809	32,000	272,427	-	-	323,292	10,493,833
Disposals	-	(272,730)	(4,009,828)	(127,586)	(6,576)	(118,027)	-	-	(318,341)	(4,853,088)
Reclassified	-	-	12,640	930	(2,260)	-	-	-	-	11,310
Effects of foreign currency exchange differences	-	(17,613)	(387,090)	(33,313)	(16,504)	(3,794)	-	-	(605)	(458,919)
Balance, end of year	-	8,708,794	53,515,329	2,023,118	265,799	2,912,733	-	-	11,149	67,436,922
Accumulated impairment										
Balance, beginning of year	-	211,433	31,061	83,022	-	-	-	-	-	325,516
Acquisitions through business combinations	-	-	(520)	-	-	-	-	-	-	(520)
Impairment loss	-	-	26,565	9,723	77,811	-	-	-	-	114,099
Disposals	-	(908)	-	(5,976)	-	-	-	-	-	(6,884)
Effects of foreign currency exchange differences	-	(2,803)	(409)	(1,201)	-	-	-	-	-	(4,413)
Balance, end of year	-	207,722	56,697	85,568	77,811	-	-	-	-	427,798
Net book value, end of year	$ 3,317,858	$14,329,813	$30,355,038	$ 620,938	$ 64,384	$ 734,657	$ 872,522	$ 8,257,379	$ 110,432	$58,663,021

Powertech Technology (Singapore) Pte. Ltd. expected that the estimated future cash flows of machinery and equipment, office equipment and leasehold improvements will decreased. Therefore, the impairment loss was recognized at 114,099 thousand for the year ended December 31, 2017. The Group determined the recoverable amount of the relevant assets on the basis of their fair value less costs of disposal. The fair value of the recoverable amount was categorized as a Level 2 measurement.

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

Buildings	
Main plants	3-51 years
Mechanical and electrical power equipment	1-26 years
Clean rooms	10-16 years
Fire control equipment	10-16 years
Others	1-56 years
Machinery and equipment	1-20 years
Office equipment	1-15 years
Leasehold improvements	2-8 years
Other equipment	1-16 years
Spare parts	0.5-2 years

Part of the carrying amount of property, plant and equipment had been pledged by the Group to secure borrowings. (Refer to Note 34.)

17. INTANGIBLE ASSETS

	December 31	
	2017	2016
Carrying amounts of each class		
Computer software	$ 191,126	$ 21,611
Goodwill	979,819	979,819
Core technique	-	12,816
Client relationship	73,842	99,073
Royalty	505	-
Technique service	4,357	11,830
	$ 1,249,649	$ 1,125,149

	For the Year Ended December 31, 2016					
	Computer Software	Goodwill	Core Technique	Client Relationship	Technique Service	Total
Cost						
Balance, beginning of year	$ 139,872	$ 979,819	$ 362,997	$ 220,775	$ 88,894	$1,792,357
Additions	11,166	-	-	-	-	11,166
Disposals	(3,844)	-	(38,308)	-	-	(42,152)
Effects of foreign currency exchange differences	(3,258)	-	(907)	-	-	(4,165)
Balance, end of year	143,936	979,819	323,782	220,775	88,894	1,757,206

(Continued)

	For the Year Ended December 31, 2016					
	Computer Software	Goodwill	Core Technique	Client Relationship	Technique Service	Total
Accumulated amortization						
Balance, beginning of year	$ 123,008	$ -	$ 277,582	$ 96,470	$ 69,591	$ 566,651
Amortization expense	6,275	-	72,599	25,232	7,473	111,579
Disposals	(3,785)	-	(38,308)	-	-	(42,093)
Effects of foreign currency exchange differences	(3,173)	-	(907)	-	-	(4,080)
Balance, end of year	122,325	-	310,966	121,702	77,064	632,057
Net book value, end of year	$ 21,611	$ 979,819	$ 12,816	$ 99,073	$ 11,830	$1,125,149

(Concluded)

	For the Year Ended December 31, 2017						
	Computer Software	Goodwill	Core Technique	Client Relationship	Royalty	Technique Service	Total
Cost							
Balance, beginning of period	$ 143,936	$ 979,819	$ 323,782	$ 220,775	$ -	$ 88,894	$ 1,757,206
Acquisitions through business combinations	412,771	-	-	-	1,720	-	414,491
Additions	46,676	-	-	-	-	-	46,676
Reclassified	20,530	-	-	-	-	-	20,530
Effects of foreign currency exchange differences	(8,030)	-	(38,281)	-	(41)	-	(46,352)
Balance, end of period	615,883	979,819	285,501	220,775	1,679	88,894	2,192,551
Accumulated amortization							
Balance, beginning of period	122,325	-	310,966	121,702	-	77,064	632,057
Acquisitions through business combinations	256,271	-	-	-	1,135	-	257,406
Amortization expense	52,665	-	12,815	25,231	68	7,473	98,252
Effects of foreign currency exchange differences	(6,504)	-	(38,280)	-	(29)	-	(44,813)
Balance, end of period	424,757	-	285,501	146,933	1,174	84,537	942,902
Net book value, end of period	$ 191,126	$ 979,819	$ -	$ 73,842	$ 505	$ 4,357	$ 1,249,649

The above items of intangible assets were amortized on a straight-line basis over the estimated useful lives as follows:

Computer software	1-10 years
Core technique	5 years
Client relationship	9 years
Royalty	1-10 years
Technique service	2-4 years

18. OTHER ASSETS

	December 31	
	2017	2016
Current		
Tax refund receivables	$ 378,556	$ 268,896
Restricted assets	319,755	22,352
Payment on behalf of others	146,439	151,520
Lease prepayments	2,628	2,663
Others	190,068	65,700
	$ 1,037,446	$ 511,131

(Continued)

	December 31	
	2017	2016
Non-current		
Lease prepayments	$ 67,671	$ 71,238
Refundable deposits	63,660	46,455
Prepayment for equipment	8,957	43,340
Prepayment for land	-	106,400
Other	54,325	-
	$ 194,613	$ 267,433

(Concluded)

Prepaid lease payment include land use right which were located in Mainland China.

Restricted assets were pledge deposits. (See Note 34.)

19. BORROWINGS

a. Short-term bank loans

	December 31	
	2017	2016
Unsecured borrowings		
Working capital loan	$ 3,842,349	$ 1,600,611

The effective interest rates on the working capital loan were 0.68%-4.79% and 1.69%-2.80% as of December 31, 2017 and 2016, respectively.

a. Long-term debts

The long-term debts of the Group are all in floating rate, which include:

	December 31	
	2017	2016
1) Secured Borrowings (Note 34)	$ 11,396,343	$ 5,264,296
2) Unsecured Borrowings	15,756,038	12,968,707
	27,152,381	18,233,003
Current portion	(134,793)	(40,348)
	$ 27,017,588	$ 18,192,655

1. Repayable continually from January 2019 to September 2032; interest rates at 1.11%-1.30% on December 31, 2017 and 1.14%-1.28% on December 31, 2016.

2. Repayable continually from January 2019 to November 2022; interest rates at 0.69%-2.67% on December 31, 2017 and 1.12%-2.52% on December 31, 2016.

For the PTI's long-term debts, the lending banks required PTI to show in its annual and semiannual consolidated financial statements compliance with requirements to maintain the current ratio, fix ratio, liability ratio, financial liabilities ratio, equity ratio, and interest coverage ratio, tangible assets and net asset value as well as the ability to repay the current portion of long-term liabilities. As of December 31, 2017, PTI was compliance with these ratio requirements.

20. FINANCE LEASE PAYABLES

	December 31	
	2017	2016
Minimum lease payments		
Not later than one year	$ 135,197	$ 5,197
Over one year up to five years	174,975	-
	310,172	5,197
Less: Future finance charges	(3,933)	(139)
Present value of minimum lease payments	$ 306,239	$ 5,058
Present value of minimum lease payments		
Not later than one year	$ 132,841	$ 5,058
Over one year up to five years	173,398	-
	$ 306,239	$ 5,058

Powertech Technology (Singapore) Pte. Ltd. leased some of its manufacturing equipment under a finance lease. The average lease terms were three to five years.

Interest rates for all obligations under finance leases were fixed at their respective contract dates ranging from 0.40% to 5.19% per annum.

21. OTHER LIABILITIES

	December 31	
	2017	2016
Current		
Accrued expenses and other current liabilities		
Salaries and bonus	$ 2,028,267	$ 1,631,696
Payable for settlement (a)	634,270	806,975
Payable for utilities	159,395	120,628
Agency receipts	101,477	85,770
Payable for annual leave	40,873	92,520
Others	4,486,348	2,462,784
	$ 7,450,630	$ 5,200,373

(Continued)

	December 31	
	2017	2016
Non-current		
Other long-term payable		
Payable for settlement (a)	$ -	$ 685,929
Other liabilities		
Guarantee deposits	$ 648	$ 26,783
Others	395,019	-
	$ 395,667	$ 26,783

(Concluded)

a. The group entered into a litigation settlement agreement with Tessera Inc., refer to Note 35.

22. PROVISIONS

	December 31	
	2017	2016
Current		
Indemnification payable	$ 74,554	$ 84,686

Movements in the provisions were as follow:

	For the Year ended December 31	
	2017	2016
Balance at January 1	$ 84,686	$ 54,403
Amounts (reversed) recognized during the year	(5,582)	34,508
Amounts written off during the year as uncollectible	(4,550)	(4,225)
Balance at December 31	$ 74,554	$ 84,686

Indemnification payable are measured at the best estimate 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.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

PTI, GEI and TeraPower Technology Inc. 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 plan adopted by PTI, GEI and TeraPower Technology Inc. of the Group in accordance with the Labor Standards Law is 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 GEI 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	
	2017	**2016**
Present value of funded defined benefit obligation	$ 1,052,260	$ 633,851
Fair value of plan assets	(656,262)	(390,186)
Net defined benefit liability	$ 395,998	$ 243,665

	December 31	
	2017	**2016**
Net defined benefit assets	$ (497)	$ -
Net defined benefit liability	396,495	243,665
	$ 395,998	$ 243,665

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, 2016	$ 596,887	$ (367,864)	$ 229,023
Service cost			
Current service cost	2,026	-	2,026
Net interest expense (income)	9,652	(5,947)	3,705
Recognized in profit or loss	11,678	(5,947)	5,731
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,565	1,565
Actuarial gain - changes in financial assumptions	(2,829)	-	(2,829)
Actuarial loss - experience adjustments	29,404	1,342	30,746
Recognized in other comprehensive income	26,575	2,907	29,482

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	$ -	$ (20,571)	$ (20,571)
Benefits paid	(1,289)	1,289	-
Balance at December 31, 2016	633,851	(390,186)	243,665
Service cost			
Current service cost	23,546	-	23,546
Net interest expense (income)	11,738	(7,598)	4,140
Recognized in profit or loss	35,284	(7,598)	27,686
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,448)	(9,448)
Actuarial loss - changes in demographics assumptions	28	-	28
Actuarial loss - changes in financial assumptions	25,989	-	25,989
Actuarial loss - experience adjustments	22,563	1,056	23,619
Others	50	-	50
Recognized in other comprehensive income	48,630	(8,392)	40,238
Contributions from the employer	-	(42,575)	(42,575)
Benefits paid	(20,294)	19,432	(862)
Acquisitions through business combinations	365,618	(234,332)	131,286
Effects of foreign currency exchange differences	(10,829)	7,389	(3,440)
Balance at December 31, 2017	$ 1,052,260	$ (656,262)	$ 395,998

(Concluded)

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/corporate 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	
	2017	2016
Discount rates	0.50%-1.50%	1.60%-1.70%
Expected rates of salary increase	2.25%-5.00%	2.25%-3.50%
Return on plan assets	1.20%-1.35%	1.60%-1.70%

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	
	2017	2016
Discount rate		
0.50% increase	$(54,545)	$(45,084)
0.50% decrease	$ 58,277	$ 48,231
Expected rate of salary increase		
0.50% increase	$ 47,431	$ 45,523
0.50% decrease	$(44,785)	$(42,879)

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	
	2017	2016
The expected contributions to the plan for the next year	$ 62,436	$ 21,002
The average duration of the defined benefit obligation	9-17 years	15-16 years

24. EQUITY

a. Capital stock

1) Common stock

	December 31	
	2017	2016
Numbers of stock authorized (in thousands)	1,500,000	1,500,000
Stock authorized	$ 15,000,000	$ 15,000,000
Number of stock issued and fully paid (in thousands)	779,147	779,147
Stock issued	$ 7,791,466	$ 7,791,466

Fully paid common stock, which have a par value of $10, carry 1 vote per share and carry a right to dividends.

The capital stock reserved for the issuance of employee share options in the listed capital is 15,000 thousands shares.

As of December 31, 2017, 116 thousand GDSs of the Corporation were traded on the Luxembourg Stock Exchange. The number of common stock represented by the GDSs was 232 thousand stock (one GDS represents 2 common shares).

b. Capital surplus

	December 31	
	2017	2016
May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (1)		
Share premium	$ 1,929	$ 562,915
May be used to offset a deficit only		
Arising from treasury stock transactions	117,612	115,132
Share of changes in capital surplus of subsidiaries and associates	52	-
	$ 119,593	$ 678,047

1) The premium from shares issued in excess of par 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 capital (limited to a certain percentage of the Corporation's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the Corporation's Articles of Incorporation, the Corporation should make appropriations from its net income in the following order:

1) Deducted for accumulated deficits.

2) Appropriate the 10% as the legal reserve.

3) Appropriate the special reserve.

4) The board of directors will draft a resolution declaring a dividend equaling the sum of previous years' surpluses and current year's adjusted undistributed earnings, less previous expense balances. The shareholders will ultimately decide whether the amount should be distributed as dividends or retained within the Corporation.

Dividends are distributed in the form of cash, common stock or a combination of cash and common stock. In consideration of the Corporation's being in a capital-intensive industry as well as the present and future investment environment, capital demand, market competition, capital budget, stockholders' interests, balanced dividend considerations and long-term financial plans, the Corporation's Articles of Incorporation provide that the total of cash dividends paid in any given year should be at least 20% of total dividends distributed.

Based on the May 2015 amendments to the Company Act, the recipients of dividends and bonuses are limited to stockholders and do not include employees. The consequential amendments to the Corporation's Articles of Incorporation were proposed by the Corporation's board of directors on October 30, 2015 and were approved at the extraordinary stockholders' meeting held on January 15, 2016. For information on the accrued employees' compensation and remuneration of directors and supervisors and the actual appropriations, refer to the employee benefit expense in Note 26 (f).

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive entitled "Questions and Answers about Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's capital surplus. 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 capital surplus, the excess may be transferred to capital or distributed in cash.

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

The appropriations of earnings for 2016 and 2015 had been approved in the stockholders' meetings on May 26, 2017 and May 27, 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share ($)**	
	For Year 2016	**For Year 2015**	**For Year 2016**	**For Year 2015**
Legal reserve	$ 483,460	$ 401,581	$ -	$ -
Cash dividends	2,555,601	1,947,866	3.28	2.50

The Corporation's shareholders also resolved to issue cash dividends from capital surplus of $560,986 thousand and $779,147 thousand, respectively, in the shareholders' meeting on May 26, 2017 and May 27, 2016. (About $0.72 and $1 dollar per share, respectively)

The appropriations of earnings for 2017 had been proposed by the Corporation's board of directors on March 16, 2018. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share**
Legal reserve	$ 584,926	$ -
Special reserve	337,628	-
Cash dividends	3,506,160	4.5

The appropriations of earnings for 2017 are subject to the resolution of the stockholders meeting to be held on June 8, 2018.

d. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2017	**2016**
Balance at January 1	$ 9,562	$ 167,050
Exchange differences on translating the financial statements of foreign operations	(328,712)	(157,488)
Balance at December 31	$(319,150)	$ 9,562

2) Unrealized gain/loss from available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 44,038	$ (4,919)
Unrealized gain arising on revaluation of available-for-sale financial assets	82,074	50,083
Cumulative gain reclassified to profit on sale of available-for-sale financial assets	(144,590)	(1,126)
Balance at December 31	$ (18,478)	$ 44,038

e. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	$ 8,505,461	$ 8,125,270
Attributable to non-controlling interests		
Share of profit for the year	1,442,013	1,174,263
Cash dividends to shareholders from subsidiaries	(893,149)	(779,476)
The Corporation's stocks held by its subsidiary are treated as treasury stock	(90,621)	-
Donations from shareholders	70	-
Exchange differences on translating the financial statements of foreign operations	(66,003)	-
Unrealized loss on available-for-sale financial assets	(182)	-
Remeasurement on defined benefit plans	(10,307)	(14,596)
Increase in non-controlling interests	2,735,337	-
Balance at December 31	$ 11,622,619	$ 8,505,461

f. Treasury stock

Purpose of Buy-Back	Stock Held by Subsidiary (In Thousands of Shares)
Number of stock at January 1, 2017	-
Increase during the year	1,800
Number of stock at December 31, 2017	1,800

The Corporation's stocks held by its subsidiary at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Stock Held (In Thousands of Shares)	Carrying Amount	Market Price
December 31, 2017			
Greatek Electronics Inc.	1,800	$ 158,400	$ 158,400

The Corporation's stocks held by its subsidiary are treated as treasury stock.

25. REVENUE

Revenue of the Group for the year ended December 31, 2017 and 2016 were analyzed as follow:

	For the Year Ended December 31	
	2017	2016
Subcontract revenue	$ 59,632,083	$ 48,343,542

26. NET PROFIT

a. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Net gain on disposal of available-for-sale financial assets	$ 144,590	$ 1,126
Net gain arising on financial assets classified as held for trading	94,344	56,424
Net loss arising on financial liabilities classified as held for trading	(10,468)	(230,794)
Impairment loss on non-financial assets	(145,938)	-
Impairment loss on financial assets	-	(121,866)

Others	91,659	(360,531)
	$ 174,187	$(655,641)

b. Other income

	For the Year Ended December 31	
	2017	2016
Rental income		
Operating lease rental income	$ 20,922	$ 1,215
Interest income		
Bank deposits	43,739	52,832
Held-to-maturity financial assets	10,832	9,284
Repurchase agreements collateralized by bonds	2,269	5,340
Commercial papers	-	659
Refundable deposits	-	2
Other	5,651	5,125
Dividend income	263	161
Gain from bargain purchase	140,000	-
	$ 223,676	$ 74,618

c. Finance costs

	For the Year Ended December 31	
	2017	**2016**
Interest on bank loans	$ 351,632	$ 226,187
Capitalized interest	(115,470)	(90,824)
Others	98	-
	$ 236,260	$ 135,363

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	**2016**
Capitalized interest	$ 115,470	$ 90,824
Capitalization rate	1.12%-4.79%	1.19%-1.61%

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	**2016**
Property, plant and equipment	$ 10,493,833	$ 8,464,357
Intangible assets	98,252	111,579
Total	$ 10,592,085	$ 8,575,936
An analysis of depreciation by function		
Operating costs	$ 9,961,322	$ 8,057,032
Operating expenses	532,511	407,325
	$ 10,493,833	$ 8,464,357
An analysis of amortization by function		
Operating costs	$ 17,143	$ 8,666
Marketing	66,750	97,838
General and administrative	12,500	4,377
Research and development	1,859	698
	$ 98,252	$ 111,579

e. Employee benefit expense

	For the Year Ended December 31	
	2017	2016
Post-employment benefits (Note 23)		
Defined contribution plans	$ 430,282	$ 340,748
Defined benefit plans	27,686	5,731
	457,968	346,479
Other employee benefits	13,633,130	10,765,167
Total employee benefit expense	$ 14,091,098	$ 11,111,646

(Continued)

	For the Year Ended December 31	
	2017	2016
An analysis of employee benefit expense by function		
Operating costs	$ 12,080,060	$ 9,487,419
Operating expenses	2,011,038	1,624,227
	$ 14,091,098	$ 11,111,646

(Concluded)

f. Employees' compensation and remuneration of directors

The Corporation stipulate to distribute employees' compensation and remuneration of directors at the rates between 5% and 7.5% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. However, if the Corporation have accumulated deficits (including adjusting unappropriated earnings), the Corporation should retain the net profit in advance for deducting accumulated deficits. The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016 which have been approved by the Corporation's board of directors on March 16, 2018 and February 22, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	5.39%	5.28%
Remuneration of directors	1.08%	1.06%

Amount

	For the Year Ended December 31	
	2017	2016
	Cash	Cash
Employees' compensation	$ 394,825	$ 326,336
Remuneration of directors	78,965	65,267

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2017	2016
Foreign exchange gains	$ 474,358	$ 687,308
Foreign exchange losses	(931,499)	(545,404)
	$ 457,141	$ 141,904

27. INCOME TAXES

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

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 1,254,218	$ 985,286
Income tax on unappropriated earnings	238,828	240,188
Adjustments for prior years	24,973	5,659
	1,518,019	1,231,133
Deferred tax		
In respect of the current year	77,984	23,075
Income tax expenses recognized in profit or loss	$ 1,596,003	$ 1,254,208

A reconciliation of [accounting profit and income tax expense/average effective tax rate and the applicable tax rate] is as follows:

	For the Year Ended December 31	
	2017	2016
Profit before income tax	$ 8,887,278	$ 7,263,076
Income tax expense calculated at the statutory rate	$ 1,815,405	$ 1,427,899
Nondeductible expenses in determining taxable income	(280,818)	(76,058)
Tax-exempt income	(143,751)	(270,424)
Income tax on unappropriated earnings	238,828	240,188
The (origination) and reversal of temporary differences	(58,634)	22,043
Remeasurement of investment tax credits	-	(95,099)
Adjustments for prior years' tax	24,973	5,659
Income tax recognized in profit or loss	$ 1,596,003	$ 1,254,208

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation and its subsidiaries in the ROC, while the applicable tax rate used by subsidiaries in China is 25%.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by 8,879 thousand and 17,535 thousand, respectively, in 2018.

As the status of 2018 appropriation of earning is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax liabilities		
Tax payable	$ 1,000,059	$ 1,061,774

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Balance, Beginning of Year	The Movements of Year	Balance, End of Year
Deferred Tax Assets			
Temporary difference	$ 45,817	$ 127,146	$ 172,963
Loss carryforwards	4,918	(4,918)	-
	$ 50,735	$ 122,228	$ 172,963
Deferred Tax Liabilities			
Temporary difference	$ 2,951	$ 200,212	$ 203,163

For the year ended December 31, 2016

	Balance, Beginning of Year	The Movements of Year	Balance, End of Year
Deferred Tax Assets			
Temporary difference	$ 69,350	$ (23,533)	$ 45,817
Loss carryforwards	3,052	1,866	4,918
	$ 72,402	$ (21,667)	$ 50,735
Deferred Tax Liabilities			
Temporary difference	$ 1,543	$ 1,408	$ 2,951

d. Items for which no deferred tax assets have been recognized

	December 31	
	2017	2016
Loss carryforwards		
Expire in 2018	$ -	$ 6,267
Expire in 2019	25,357	6,793
Expire in 2010	26,682	6,940
Expire in 2011	31,537	7,075
	$ 83,576	$ 27,075
Deductible temporary differences	$ 167,903	$ 239,088

e. The related information about exempted from income tax.

As of December 31, 2017, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

The Corporation

Statute for Upgrading Industries	Tax-Exemption Period
The ninth issuance of shares	2012.06.30-2017.06.29

GEI

Statute for Upgrading Industries	Tax-Exemption Period
The third issuance of shares	2014.01.01-2018.12.31

f. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Generated after January, 1998 - PTI	$ - Note	$ 21,937,776
Shareholder-Impued credit accounts ("ICA") - PTI	$ - Note	$ 2,365,267

	For the Year Ended December 31	
	2017	2016
The creditable ratio for distribution of earnings	Note	13.95%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

g. Income tax assessments

Income tax returns through 2014 have been examined and cleared by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2017	**2016**
Basic earnings per share	$ 7.51	$ 6.20
Diluted earnings per share	$ 7.46	$ 6.17

The earnings and weighted average number of common stock outstanding in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2017	**2016**
Net profit attributable to owner of the Corporation	$ 5,849,262	$ 4,834,605
Effect of potentially dilutive common stock:		
Employees' compensation	-	-
Earnings used in the computation of diluted earnings per share	$ 5,849,262	$ 4,834,605

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

	For the Year Ended December 31	
	2017	**2016**
Weighted average number of common stock in the computation of basic earnings per share	778,394	779,147
Effect of potentially dilutive common stock:		
Employees' compensation	5,011	4,469
Weighted average number of common stock used in the computation of dilutive earnings per share	783,405	783,616

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

29. BUSINESS COMBINATIONS

In order to develop business in Japan, the subsidiary of Powertech Technology Inc. (Powertech Technology Japan Ltd.) had signed the Stock Purchase Agreement and related contracts with Micron Technology Inc. and Micron Memory Japan Inc. The main content of the agreement were as follows:

The acquisition of the shares of Tera Probe, Inc. by means of the tender offer

Powertech Technology Japan Ltd. intends to acquire 39.6% shares of Tera Probe, Inc. owned by Micron Memory Japan Inc. and any shares to be tendered from other shareholders by publicly tender offer from April 17, 2017 to May 29, 2017. The tender offer price is JPY 1,100 per share.

If the shares to be tendered do not reach the minimum number of acquisition (3,680 thousand shares), Powertech Technology Japan Ltd. will not acquire any shares of Tera Probe, Inc.

Purchase 100% shares of Micron Akita, Inc.

Powertech Technology Japan Ltd. intends to purchase all of total outstanding shares of Micron Akita, Inc. at closing date from Micron Memory Japan Inc. in the total consideration no more than US$50 million and will sign related assembly and test services agreement.

If the shares of Tera Probe, Inc. to be tendered do not reach the minimum number of acquisition (3,680 thousand shares), Powertech Technology Japan Ltd. will not purchase any shares of Micron Akita, Inc.

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)
Tera Probe, Inc. and subsidiaries	Wafer probing test services	May 29, 2017	59
Powertech Technology Akita Inc.	Wafer probing test services	August 4, 2017	100

In order to develop business in Japan, Powertech Technology Japan Ltd. acquired the shares of Tera Probe, Inc. by means of the tender offer in May 2017. Refer to Note 14.

b. Considerations transferred

	Tera Probe, Inc. and Subsidiaries and Powertech Technology Akita Inc.
Cash	$ 2,550,142
Share	1,757,018
	$ 4,307,160

c. Assets acquired and liabilities assumed at the date of acquisition

	Tera Probe, Inc. and Subsidiaries and Powertech Technology Akita Inc.
Current assets	
Cash and cash equivalents	$ 3,724,740
Financial assets at fair value through profit or loss - current	3,048
Notes and accounts receivable	1,646,844
Other receivables	257,796
Inventories	151,542
Prepaid expenses	40,393
Non-current assets held for sale	1,056,479
Other current assets	202,180
Non-current assets	
Held-to-maturity financial assets - non-current	10,943
Investments accounted for using the equity method	60,125
Property, plant and equipment	7,406,100
Intangible assets	157,085
Deferred income tax assets	38,221
Other non-current assets	204,309
Current liabilities	
Notes and accounts payable	(307,643)
Payables to equipment suppliers	(804,559)
Current income tax liabilities	(144,912)
Accrued expenses and other current liabilities	(2,587,130)
Current portion of long-term debts	(105,264)
Finance lease payables - current	(160,803)
Non-current liabilities	
Long-term debts	(3,322,670)
Deferred tax liabilities	(72,667)
Finance lease payables - non-current	(249,919)
Net defined benefit liability - non-current	(131,285)
Other non-current liabilities	(80,149)
	$ 6,992,803

d. Net cash inflow on acquisition of subsidiaries

	Powertech Technology Akita Inc.	Tera Probe, Inc. and subsidiaries
Consideration paid in cash	$(1,216,720)	$(1,333,422)
Less: Cash and cash equivalent balances acquired	513,754	3,210,986
	$ (702,966)	$ 1,877,564

e. Impact of acquisitions on the results of the Group

The results of the acquires since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	Powertech Technology Akita Inc.	Tera Probe, Inc. and Subsidiaries
Revenue	$ 653,234	$ 3,760,828
Profit	$ 26,358	$ 37,644

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been $63,711,459 thousand, and the profit from continuing operations would have been $7,250,330 thousand for the year ended December 31, 2017. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2017, nor is it intended to be a projection of future results.

30. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

The Corporation leases a plant and land from TeraPower Technology Inc. and Tang Eny Iron Works Co., Ltd. under a renewable agreement expiring before December 2023.

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

	December 31	
	2017	2016
Not later than 1 year	$ 16,697	$ 28,697
Over 1 year up to 5 years	66,788	77,788
Later than 5 year	16,697	33,394
	$ 100,182	$ 139,879

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2017	2016
Minimum lease payment	$ 21,696	$ 27,305

Powertech Technology (Singapore) Pte. Ltd. leased equipment and office from IBM and CAMBRIDGE INDUSTRIAL TRUST under a renewable agreement expiring in May 2021.

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

	December 31	
	2017	2016
Not later than 1 year	$ 43,644	$ 43,520
Over 1 year up to 5 years	107,815	16,112
	$ 151,459	$ 59,632

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31	
	2017	2016
Minimum lease payment	$ 42,820	$ 45,868

Tera Probe, Inc. leased equipment and office from Micron Memory Japan, Inc. , Advantest Finance Inc. , Aizu Fujitsu Semiconductor Limited and Hitachi Capital Corporation, etc. under renewable agreements expiring before May 2019.

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

	December 31, 2017
Not later than 1 year	$ 80,126
Over 1 year up to 5 years	1,695
	$ 81,821

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31, 2017
Minimum lease payment	$ 69,324

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure its ability to continue as going concerns while maximizing the return to stakeholders. The Group's overall strategy has no significant variations.

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).

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not measured at fair value

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	December 31			
	2017		2016	
	Carrying Amount	Fair Value Level 2	Carrying Amount	Fair Value Level 2
Financial assets				
Held-to-maturity investments	$1,153,305	$1,158,787	$ 905,569	$ 908,464

The fair value of level 2 mentioned above was used quoted price from Taipei Exchange.

2) Fair value of financial instruments that are measured at fair value on a recurring basis

a) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 50,162	$ -	$ -	$ 50,162
Derivative instrument	-	8,799	-	8,799
	$ 50,162	$ 8,799	$ -	$ 58,961
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 2,670	$ 30,000	$ -	$ 32,670
Financial liabilities at FVTPL				
Derivative instrument	$ -	$ 5,887	$ -	$ 5,887

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	$ 59,021	$ -	$ -	$ 59,021
Derivative instrument	-	640	-	640
	$ 59,021	$ 640	$ -	$ 59,661

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 2,221	$ 26,625	$ -	$ 28,846
Securities listed in other countries				
Equity securities	296,957	-	-	296,957
	$ 299,178	$ 26,625	$ -	$ 325,803
Financial liabilities at FVTPL				
Derivative instrument	$ -	$ 71,569	$ -	$ 71,569

(Concluded)

There were no transfers between Level 1 and 2 in the current and prior year.

b) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - forward exchange contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Unlisted securities	Using Market value method and option valuation method to calculate the fair value.

b. Categories of financial instruments

	December 31	
	2017	2016
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 58,961	$ 59,661
Held-to-maturity investments	1,153,305	905,569
Loans and receivables (Note 1)	32,086,787	28,004,674
Available-for-sale financial assets	32,670	325,803
Financial liabilities		
Fair value through profit or loss (FVTPL)		

Held for trading	5,887	71,569
Amortized cost (Note 2)	37,470,207	30,052,913

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivables (included related parties), other receivables (included related parties), debt investments with no active market, and other assets.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable (related parties included), other payables (related parties included), accrued expenses and other current liabilities and long-term debts.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, accounts receivable, accounts payable, and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, 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.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reported quarterly to the Group's board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below) and interest rates (see (2) below). The Group entered into a variety of derivative financial instruments (included forward exchange contracts) to manage its exposure to foreign currency risk.

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's operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Group's management of the foreign currency risk is to hedge the risk instead of making a profit.

The strategy of foreign currency risk management is to review the net position exposed to foreign currency risk and manage the risk of the net position. The Group selects the instruments to hedge against currency exposure taking into consideration of the hedge cost and period. The Group currently utilizes derivative financial instruments, including buy/sell forward exchange contracts, to hedge its foreign currency exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period refer to Note 36.

The Group uses forward exchange contracts to eliminate currency exposure. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

As net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

Sensitivity analysis

The Group was mainly exposed to USD and JPY.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity analysis included outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusted their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis included cash and cash equivalents, accounts receivable, other receivables, accounts payable, other payables, short-term bank loans and long-term debts. The number below indicates a decrease/increase in per-tax profit when the functional currency strengthens 5% against the relevant currency.

	USD Impact		**JPY Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2017	**2016**	**2017**	**2016**
Profit or loss	$(393,682)	$(362,298)	$ 47,957	$ 23,566

b) Interest rate risk

The carrying amount of the Group's financial assets with exposure to interest rates at the end of the reporting period was as follows. The Group's interest rate risk also comes from borrowings at floating interest rates. Since the Group's bank borrowings are at floating interest rates, fluctuations in interest rates will affect cash flow in the future but will not affect the fair value.

The carrying amount 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	
	2017	2016
Fair value interest rate risk		
Financial assets	$ 8,426,152	$ 7,220,336
Financial liabilities	1,120,174	311,709
Cash flow interest rate risk		
Financial assets	10,924,347	9,203,986
Financial liabilities	30,180,795	19,526,963

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of both the assets and the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax loss for the year ended December 31, 2017 and 2016 would decrease/increase by $19,256 thousand and $10,323 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate net liabilities.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The Group's equity price risk was mainly concentrated on equity instruments operating in electronics industry sector quoted in the Japan Stock Exchange and Taipei Exchange.

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 5% higher/lower, the other comprehensive income for the years ended December 31, 2017 and 2016 would increase/decrease by $1,634 thousand and $16,290 thousand, respectively, as a result of the changes in fair value of available-for-sale investments.

2) Credit risk

Credit risk refers to the risk that 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 to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed balance sheets.

In order to minimize credit risk, the management of the Group has set credit and accounts receivable management approach to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors of the Corporation consider that the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with good credit.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group's concentration of credit risk was related to the three largest customers within the Group. Besides the above customers, no concentration of credit risk related to other customers that exceed 10% of total gross accounts receivables at any time during the period. The three largest customers are creditworthy counterparts, therefore, the Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2017 and 2016, the Group had available unutilized short-term bank loan facilities of approximately $4,832,761 thousand and $7,012,177 thousand, respectively.

a) Liquidity and interest risk rate tables

The following table details 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. The tables included both interest and principal cash flows.

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, 2017

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities					
Non-interest bearing	$ 2,881,251	$ 2,266,830	$ 1,327,396	$ -	$ -
Fixed interest rate liability	-	546,916	209,927	363,331	-
Variable interest rate liabilities	572,884	626,998	2,139,901	24,504,613	2,336,399
	$ 3,454,135	$ 3,440,744	$ 3,677,224	$24,867,944	$ 2,336,399

December 31, 2016

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**5+ Years**
Non-derivative financial liabilities					
Non-interest bearing	$ 3,741,483	$ 4,392,230	$ 1,399,657	$ 685,929	$ -
Fixed interest rate liability	225,953	80,698	5,058	-	-
Variable interest rate liabilities	1,314,134	-	20,174	17,082,120	1,110,535
	$ 5,281,570	$ 4,472,928	$ 1,424,889	$17,768,049	$ 1,110,535

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
Gross settled			
Foreign exchange forward contracts			
Inflows	$1,336,640	$ 750,257	$ 93,692
Outflows	(1,333,880)	(749,509)	(94,288)
	$ 2,760	$ 748	$ (596)

December 31, 2016

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year
Gross settled			
Foreign exchange forward contracts			
Inflows	$ 388,404	$1,035,583	$ -
Outflows	(411,853)	(1,084,290)	-
	$ (23,449)	$ (48,707)	$ -

b) Financing facilities

	December 31	
	2017	2016
Secured bank loan facilities which may be extended by mutual:		
Amount used	$ 11,396,343	$ 5,264,296
Amount unused	966,000	4,036,000
	$ 12,362,343	$ 9,300,296

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which were related parties of the Corporation, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related Party Name and Relationship

Related Party Name	Relationship with the Corporation
Toshiba Corporation	Substantial related parties
Toshiba Memory Corporation	Substantial related parties
Toshiba International Procurement Hong Kong, Ltd.	Substantial related parties
Kingston Technology International Ltd.	Substantial related parties
Kingston Digital International Ltd.	Substantial related parties
Kingston Solution, Inc.	Substantial related parties
Kingston Technology Far East Corp.	Substantial related parties
Realtek Singapore Private Limited	Substantial related parties
Realtek Semiconductor corp.	Substantial related parties
Weltrend Semiconductor, Inc.	Substantial related parties
TeraPower Technology Inc.	Associates (The subsidiary of the Group since May 29, 2017.)

b. Sales of goods

Account Items	Related Parties Category / Name	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Sales of goods	Substantial related parties		
	Toshiba Memory Corporation	$ 9,430,229	$ -
	Toshiba Corporation	2,834,142	11,572,017
	Other	2,698,393	4,049,160
		14,962,764	15,621,177
	Associates	9,909	7,260
		$ 14,972,673	$ 15,628,437

Sales transactions with related parties were based on normal commercial prices and terms. In general, the payment term for the Group sales is from 7 to 150 days starting from the first day of the month following the invoice date.

c. Purchases

Related Parties Types	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Substantial related parties	$ 18	$ 9

The purchase prices and payment terms were negotiated and thus not comparable with those in the market.

d. Operating expenses

Related Parties Types	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Associates	$ 1,828	$ 45,514

The rentals with related parties were based on cooperation agreements and were thus not comparable with those in the market.

e. Miscellaneous income

Related Parties Types	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Substantial related parties	$ -	$ 790

The rentals with related parties were based on cooperation agreements and were thus not comparable with those in the market.

f. Other gains and losses

Related Parties Types	For the Year Ended December 31 2017	2016
Substantial related parties	$ 5,152	$(17,047)
Associates	168	926
	$ 5,320	$(16,131)

g. Trade receivables from related parties

Account Items	Related Parties Category / Name	December 31 2017	2016
Trade receivables from related parties	Substantial related parties		
	Toshiba Memory Corporation	$ 3,578,364	$ -
	Toshiba Corporation	-	3,019,285
	Other	451,142	633,733
		4,029,506	3,653,018
	Associates	-	2,560
		$ 4,029,506	$ 3,655,578

h. Other receivables from related parties

Related Parties Category / Name	December 31 2017	2016
Substantial related parties		
Toshiba Memory Corporation	$ 5,536	$ -
Kingston Solution, Inc.	2,340	1,551
Realtek Semiconductor corp.	1,310	5,917
Toshiba Corporation	-	17,973
Other	-	440
	9,186	25,881
Associates		
TeraPower Technology Inc.	-	68,628
	$ 9,186	$ 94,509

i. Other payables from related parties

Related Parties Category / Name	December 31 2017	2016
Associates		
TeraPower Technology Inc.	$ -	$ 4,437

j. Property, plant and equipment acquired

Related Parties Types	Price For the Year Ended December 31 2017	 2016
Substantial related parties	$ -	$ 220

The purchase of Property, plant and equipment with related parties were under negotiating for cooperation agreement which there were no comparable terms under the agreement.

k. Property, plant and equipment disposed

Related Parties Types	Price For the Year Ended December 31 2017	 2016	Gain on Disposal For the Year Ended December 31 2017	 2016
Substantial related parties	$ -	$ 218	$ -	$ 11

l. Compensation of key management personnel

	For the Year Ended December 31 2017	 2016
Short-term benefits	$ 350,955	$ 309,700
Post-employment benefits	1,836	1,836
	$ 352,791	$ 311,536

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

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged or mortgaged as collateral mainly for long-term debts, guarantee deposits for exports, L/C, guarantee for settlement and bonded inventories.

	December 31 2017	 2016
Property, plant and equipment	$ 16,839,881	$ 11,380,312
Pledge deposits (classified as debt investments with no active market - non-current)	546,703	567,579
Pledge deposits (classified as other asset - current)	319,755	22,352
	$ 17,706,339	$ 11,970,243

35. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Group's significant commitments and contingencies as of December 31, 2017 were as following:

a. The Corporation and MTI sign the settlement agreement with Tessera Inc. for TCC License Agreement on February 27, 2014. After a series of compromises and negotiation during the settlement process, and consulting with attorneys, the settlement amount is proposed to be USD 196,000 thousand payable over 5 years in consideration for early termination of the License Agreement as of December 31, 2012 and the litigation will be dismissed by the parties upon the settlement. The Corporation and MTI recognized settlement loss for the year ended December 31, 2013. As of December 31, 2017, the Corporation has paid a total of USD 174,750 thousand.

b. In order to develop business in Japan, the subsidiary of Powertech Technology Inc. (Powertech Technology Japan Ltd.) had signed the Stock Purchase Agreement and related contracts with Micron Technology Inc. and Micron Memory Japan Inc. that had been approved in the Board of Directors on April 14, 2017. Powertech Technology Japan Ltd. intends to purchase all of total outstanding shares of Micron Akita, Inc. at closing date from Micron Memory Japan Inc. in the total consideration no more than USD 50,000 thousand and will sign related assembly and test services agreement.

c. In July 2017, Greatek Electronics Inc. signed a contract worth $310,000 thousand with Jiu Han Engineering Co., Ltd. to set up utilities. As of December 31, 2017, Greatek has paid a total of 186,000 thousand.

d. In October 2016, the Corporation signed a contract worth $868,480 thousand with Jian Ming Contractor Co., Ltd. for the construction of a new factory building. As of December 31, 2017, the Corporation had fully paid.

e. In December 2016, the Corporation signed a contract worth $624,200 thousand with E-Sun System Technology Co., Ltd. to set up utilities and buildings. In January and August 2017, the total amount of the contract was reduced by 322 thousand and the total amount of the contract was 623,878 thousand. As of December 31, 2017, the Corporation had fully paid.

f. In March 2017, the Corporation signed a contract worth $623,193 thousand with Jiu Han Engineering Co., Ltd. to set up utilities and buildings. As of December 31, 2017, the Corporation has paid a total of 182,503 thousand.

g. The unused letters of credit amounted were as follows:

	December 31	
	2017	**2016**
USD	$ 268	$ 727
JYP	2,735,979	750,463

36. EXCHANGE RATE OF FINANCIAL 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 were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2017		
	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 396,095	29.848 (USD:NTD)	$ 11,822,644
USD	4,596	6.512 (USD:RMB)	137,181
USD	4,811	112.66 (USD:JPY)	143,599
JPY	193,074	0.2649 (JPY:NTD)	51,145
JPY	2,749	0.0578 (JPY:RMB)	728
JPY	755,082	0.0089 (JPY:USD)	200,021
SGD	3,135	0.7479 (SGD:USD)	69,985
SGD	72	22.324 (SGD:NTD)	1,607
RMB	27,122	0.1536 (RMB:USD)	124,327
RMB	22,785	4.5840 (RMB:NTD)	104,446
			$ 12,655,683

(Continued)

	December 31, 2017		
	Foreign Currencies	Exchange Rate	Carrying Amount
Non-monetary items			
USD	$ 153	29.848 (USD:NTD)	$ 4,575
JPY	2,893	0.2649 (JPY:NTD)	766
			$ 5,341
Financial liabilities			
Monetary items			
USD	153,986	29.848 (USD:NTD)	$ 4,596,174
USD	18,888	6.512 (USD:RMB)	563,769
USD	1,001	112.66 (USD:JPY)	29,878
EUR	1,260	35.67 (EUR:NTD)	44,950
JPY	3,564,088	0.2649 (JPY:NTD)	944,127
JPY	37,278	0.0578 (JPY:RMB)	9,875
JPY	970,330	0.0089 (JPY:USD)	257,040
RMB	17,823	0.1536 (RMB:USD)	81,701
RMB	9,322	4.5840 (RMB:NTD)	42,732
SGD	2,073	22.324 (SGD:NTD)	46,277
NTD	1,546	0.0335 (NTD:USD)	1,546
			$ 6,618,069
Non-monetary items			
USD	2	29.848 (USD:NTD)	$ 45
JPY	57,611	0.2649 (JPY:NTD)	15,261
			$ 15,306

(Concluded)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 440,301	32.279 (USD:NTD)	$ 14,212,476
USD	4,435	6.95 (USD:RMB)	143,157
JPY	2,052,462	0.2757 (JPY:NTD)	565,864
JPY	2,488	0.0594 (JPY:RMB)	686
JPY	357,703	0.0085 (JPY:USD)	98,619
SGD	1,851	0.6912 (SGD:USD)	41,296
			$ 15,062,098
Non-monetary items			
JPY	1,079,400	0.2757 (JPY:NTD)	$ 297,597

(Continued)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	Carrying Amount
Financial liabilities			
Monetary items			
USD	$ 202,564	32.279 (USD:NTD)	$ 6,538,563
USD	17,693	6.95 (USD:RMB)	571,112
EUR	568	33.92 (EUR:NTD)	19,267
JPY	3,981,155	0.2757 (JPY:NTD)	1,097,604
JPY	20,225	0.0594 (JPY:RMB)	5,576
JPY	120,960	0.0085 (JPY:USD)	33,349
RMB	7,747	4.645 (RMB:NTD)	35,985
			$ 8,301,456
Non-monetary items			
JPY	249,235	0.2757 (JPY:NTD)	$ 68,708
USD	89	32.279 (USD:NTD)	2,861
			$ 71,569

(Concluded)

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains were $457,141 thousand and $141,904 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and currencies of the Corporation.

37. SEPARATELY DISCLOSED ITEMS

Except for the following, the Group has no other significant transactions, investees and investments in Mainland China that that need to be disclosed as required by the Securities and Futures Bureau.

a. Loans provided to other parties: Table 1 (attached)

b. Endorsement/guarantee provided: Table 2 (attached)

c. Marketable securities held: Table 3 (attached)

d. Purchases or sales of the same marketable securities amounting to at least NT$300 million or 20% of the paid-in capital: Table 4 (attached)

e. Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital: Table 5 (attached).

f. Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: None.

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 6 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 7 (attached)

i. Derivative transactions: Note 7.

j. Information of intercompany relationships and significant intercompany transactions: Table 8 (attached).

k. Names, locations, and related information of investees over which the Corporation exercises significant influence: Table 9 (attached)

l. Information on investment in mainland China: Table 10 (attached)

The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Note 37 (j).

38. SEGMENT INFORMATION

a. The revenues, operating results and financial information of each plant presented to the chief operating decision maker are consistent with the information in the consolidated financial statements. The segment revenues and operating results for the years ended December 31, 2017 and 2016 are shown in the consolidated income statements for the years ended December 31, 2017 and 2016. The segment assets as of December 31, 2017 and 2016 are shown in the consolidated balance sheets as of December 31, 2017 and 2016.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	For the Year Ended December 31	
	2017	**2016**
Subcontract revenue	$ 59,632,083	$ 48,343,542

c. Geographic information

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue			
	For the Year Ended December 31		Non-current Assets December 31	
	2017	2016	2017	2016
Japan	$ 20,422,543	$ 17,451,060	$ 2,405,181	$ -
Singapore	12,857,749	7,668,692	487,541	804,524
Taiwan	12,170,505	10,534,354	53,402,111	40,563,741
America	10,618,829	6,939,707	-	-
Europe	1,842,106	4,043,557	-	-
China and Hong Kong	1,404,213	1,542,807	3,617,837	3,930,869
Others	316,138	163,365	-	-
	$ 59,632,083	$ 48,343,542	$ 59,912,670	$ 45,299,134

Non-current assets exclude long-term stock investments accounted for by the equity method, financial instruments, deferred tax assets, and other assets.

d. Major customers

Sales to customers amounting to at least 10% of total gross sales:

	For the Year Ended December 31			
	2017		2016	
Customer	Amount	% of Total	Amount	% of Total
A	$ 17,981,516	30	$ 12,610,336	26
B	12,226,172	21	11,572,017	24
C	6,647,619	11	3,581,519	7

TABLE 1

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	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 (Note 2)	Aggregate Financing Limits (Note 2)	Note
													Item	Value			
0	Tera Probe, Inc.	Tera Probe Aizu, Inc.	Other receivable	Note 1	$ 211,920	$ 185,430	$ 180,132	1%	For short-term financing	$ -	Working capital	$ -	-	$ -	$ 304,060	$ 608,121	-

Note 1: Direct investments, the Corporation's 100% subsidiaries.

Note 2: The total amount the finance provided by Tera Probe, Inc. to any individual shall not exceed five percent of Tera Probe, Inc.'s net worth. The total amount available for the finance provided shall not exceed ten percent of Tera Probe, Inc.'s net worth.

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES GIVEN TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	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 3)	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											
Powertech Technology Inc.	Powertech Technology (Singapore) Pte. Ltd.	Note 1	$ 3,806,081	$ 895,440	$ 895,440	$ 535,025	$ -	2.35	$ 19,030,405	Yes	-	-	-
	Powertech Technology (Suzhou) Ltd.	Note 2	3,806,081	596,960	596,960	8,392	-	1.57	19,030,405	Yes	-	Yes	-

Note 1: Direct investments, the Corporation's 100% subsidiaries.

Note 2: Indirect investments, the Corporation's 100% subsidiaries.

Note 3: The total amount of the guarantee provided by PTI to any individual entity shall not exceed ten percent of PTI's net worth. The total amount available for the guarantee shall not exceed fifty percent of PTI's net worth.

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares (Thousands)	Carrying Value	% of Ownership	Fair Value	
Powertech Technology Inc.	Stock							
	Solid state system Co., Ltd.	-	Available-for-sale financial assets - non-current	2,617	$ 32,670	3	$ 32,670	Note 3
Greatek Electronics Inc.	Fund							
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	283	50,162	-	50, 162	Note 4
	Bond							
	02 Taipower 1A	-	Held-to-maturity financial assets - current	200	200,102	-	200,487	Note 2
	P06 Taipower 1A	-	Held-to-maturity financial assets - non-current	300	300,001	-	302,502	Note 2
	02 Taipower 1B	-	Held-to-maturity financial assets - non-current	150	152,641	-	152,661	Note 2
	01 TSMC 1B	-	Held-to-maturity financial assets - non-current	10	100,560	-	100,844	Note 2
	P06 Taipower 3A		Held-to-maturity financial assets - non-current	100	100,001	-	100,043	Note 2
	P04 Hon Hai 4C	-	Held-to-maturity financial assets - non-current	100	100,001	-	100,612	Note 2
	P04 FENC 4	-	Held-to-maturity financial assets - non-current	100	100,000	-	100,767	Note 2
	P06 FPC 1A	-	Held-to-maturity financial assets - non-current	100	100,000	-	100,871	Note 2
	Stock							
	POWERTECH TECHNOLOGY INC.	Greatek Electronics Inc.'s parent company	Available-for-sale financial assets - non-current	1,800	158,400	-	158,400	Note 1
	SAMHOP Microelectronics Corp.	-	Financial assets carried at cost-non-current	600	-	3	-	Note 5
	Terawins Inc.	-	Financial assets carried at cost-non-current	643	-	2	-	Note 5
	Airwave Technologies Inc.	-	Financial assets carried at cost-non-current	93	-	1	-	Note 5

Note 1: The fair value was based on stock closing price as of December 31, 2017.

Note 2: The fair value was based on trading market in hundreds of new Taiwan dollars as of December 31, 2017.

Note 3: The fair value of common stock was based on stock closing price, and the fair value of privately placed shares was determined using valuation techniques as of December 31, 2017.

Note 4: The fair value was based on the net asset value of the fund as of December 31, 2017.

Note 5: The fair value was based on the carrying value as of December 31, 2017.

Note 6: As of December 31, 2017, the above marketable securities had not been pledged or mortgaged.

TABLE 4

POWERTECH TECHNOLOGY INC. 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, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 1)		Acquisition		Disposal				Ending Balance (Note 1)	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
	Stock													
Powertech Technology Inc.	Powertech Technology Japan Ltd.	Investments accounted for using equity method	Note 2	Note 2	-	$ -	-	USD 103,052	-	$ -	$ -	$ -	-	USD 103,052
	Powertech Technology (Xian) Ltd.	Investments accounted for using equity method	Note 3	Note 3	-	-	-	USD 25,000	-	-	-	-	-	USD 25,000
	Stock													
Powertech Technology Japan Ltd.	Tera Probe, Inc.	Investments accounted for using equity method	Micron Memory Japan Inc. and other participating shareholders.	-	-	-	4,440	USD 43,963	-	-	-	-	4,440	USD 43,963
	Powertech Technology Akita Inc.	Investments accounted for using equity method	Micron Memory Japan Inc.	-	-	-	6	USD 48,917	-	-	-	-	6	USD 48,917
	Bond													
Greatek Electronics Inc.	Taiwan Power Company	Held-to-maturity financial assets	-	-	150	153,758	400	$ 400,002	-	-	-	-	550	$ 552,643

Note 1: Beginning balance and ending balance include premium value.

Note 2: The Corporation invested and established in January 2017.

Note 3: The Corporation invested directly in January 2017.

TABLE 5

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Greatek Electronics Inc.	Mechanical and electrical engineering	July 28, 2017	$ 310,000	$ 186,000	Jiu Han Engineering Co., Ltd.	-	Not applicable	Not applicable	Not applicable	Not applicable	Mutual consent	Plant expansion	-

TABLE 6

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Powertech Technology Inc.	Toshiba Corporation	Corporate director's ultimate parent company	Sale	$2,834,1		Note	$	-	$		-
	Toshiba Memory Corporation	Corporate director's parent company	Sale	9,392,0	2	Note		-	3,553,3	5	-
	Kingston Technology International, Ltd.	Substantial related parties	Sale	1,186,7		Note		-	80,3		-
Greatek Electronics Inc.	Realtek Semiconductor Corp.	Parent company of Greatek Electronics Inc.'s corporate supervisor	Sale	799,4		Net 60 days from monthly closing dates		-	272,7		-
	Realtek Singapore Private Limited	Same parent company with Greatek Electronics Inc.'s corporate supervisor	Sale	367,6		Net 60 days from monthly closing dates		-	30,3		-

	Weltrend Semiconductor, Inc.	Greatek Electronics Inc.'s corporate supervisor	Sale	159,4		Net 60 days from monthly closing dates		-	29,1		-

Note: Mainly paid on the 30 days to 90 days after the month of the invoice date.

<u>**TABLE 7**</u>

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Powertech Technology Inc.	Toshiba Memory Corporation	Corporate director’s parent company	$ 3,553,36	3.72	$	-	$ 3,553,36	$
Greatek Electronics Inc.	Realtek Semiconductor corp.	Parent company of Greatek Electronics Inc.’s corporate supervisor	272,77	3.66		-	272,77	

TABLE 8

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION OF INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Counter Party	Transaction Flow	Intercompany Transactions			
			Financial Statements Items	Amount	Terms	Percentage to Consolidated Total Gross Sales or Total Assets
Powertech Technology Inc.	Greatek Electronics Inc.	1	Sales	$ 27,26	Note 3	-
	Powertech Technology (Suzhou) Ltd.	1	Sales	13,51	Note 3	-
	TeraPower Technology Inc.	1	Sales	18,73	Note 3	-
	Powertech Technology (Singapore) Pte. Ltd.	1	Sales	4	Note 3	-
	Powertech Technology (Xian) Ltd.	1	Sales	77	Note 3	-
	Powertech Technology (Suzhou) Ltd.	1	Purchase	67	Note 3	-
	Powertech Technology (Xian) Ltd.	1	Purchase	1	Note 3	-
	Greatek Electronics Inc.	1	Purchase	14	Note 3	-
	Powertech Technology (Suzhou) Ltd.	1	Subcontract costs	525,66	Note 2	1%
	Greatek Electronics Inc.	1	Subcontract costs	53,86	Note 2	-
	Powertech Technology (Xian) Ltd.	1	Interest income	11,53	Note 2	-
	Greatek Electronics Inc.	1	Other gains and losses	2,03	Note 2	-
	Powertech Technology Akita Inc.	1	Other gains and losses	3,00	Note 2	-
	TeraPower Technology Inc.	1	Accounts receivable from related parties	3,35	Note 3	-
	Powertech Technology (Xian) Ltd.	1	Other receivable from related parties	154,89	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Other receivable from related parties	4,67	Note 2	-
	Powertech Technology (Singapore) Pte. Ltd.	1	Other receivable from related parties	3,51	Note 2	-
	Powertech Technology Akita Inc.	1	Other receivable from related parties	1,71	Note 2	-
	Greatek Electronics Inc.	1	Other receivable from related parties	84	Note 2	-
	Powertech Technology (Xian) Ltd.	1	Disposal of property, plant and equipment	145,70	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Disposal of property, plant and equipment	14,02	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Purchase of property, plant and equipment	10	Note 2	-
	Powertech Technology (Suzhou) Ltd.	1	Other payable to related parties	47,94	Note 2	-
	Powertech Technology (Singapore) Pte. Ltd.	1	Other payable to related parties	3	Note 2	-

	Greatek Electronics Inc.	1	Other payable to related parties	31,50	Note 2	-
Tera Probe, Inc.	TeraPower Technology Inc.	1	Accounts receivable from related parties	4,24	Note 2	-

Note 1: No. 1 - from the parent company to the subsidiary.

Note 2: The transactions for related parties were negotiated and thus not comparable with those in the market.

Note 3: The selling prices with subsidiaries were negotiated and thus not comparable with those in the market, and the collection period with subsidiaries was same as common customer.

TABLE 9

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE CORPORATION EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				September 30, 2017	December 31, 2016	Shares (Thousands)	% of Ownership	Carrying Value			
Powertech Technology Inc.	TeraPower Technology Inc.	Hsinchu	Wafer probing test services	$ 661,50	$ 367,50	65,44	49	$ 1,761,17	$ 576,258	$ 289,46	Notes 1 and 2
	Powertech Holding (BVI) Inc.	BVI	Investment business	1,679,37	1,679,37	5	100	828,52	(47,485	(47,50	Notes 1 and 2
	Greatek Electronics Inc.	Miaoli	Semiconductor assembly and testing service	6,169,94	6,169,94	244,06	43	7,665,02	2,508,628	1,056,78	Notes 1 and 2
	Powertech Technology (Singapore) Pte. Ltd.	Singapore	Integrated circuit testing and assembly service	USD 85,00	USD 85,00	85,00	100	1,135,64	(97,543	(97,54	Notes 1 and 2
	Powertech Technology Japan Ltd.	Japan	Investment business	USD 103,05			100	3,250,68	183,319	176,48	Note 1
	Tera Probe, Inc.	Japan	Wafer probing test services	$ 230,61	$ 230,61	1,07	12	370,34	37,644	6,42	Note 1
Powertech Holding (BVI) Inc.	PTI Technology (Singapore) Pte. Ltd.	Singapore	Investment business	USD 51,00	USD 51,00	10	100	USD 26,90	USD (1,562	USD (1,56	Note 1
Powertech Technology Japan Ltd.	Tera Probe, Inc.	Japan	Wafer probing test services	USD 43,96		4,44	47	USD 96,97	USD 180	USD 8	Note 1
	Powertech Technology Akita Inc.	Japan	Wafer probing test services	USD 48,91			100	USD 44,39	USD 874	USD 87	Note 1

Tera Probe, Inc.	TeraPower Technology Inc.	Hsinchu	Wafer probing test services	JPY3,223,63	JPY2,472,22	68,11	51	JPY3,223,63	JPY2,175,37 6	JPY 670,86	Note 1
	Tera Probe Aizu, Inc.	Japan	Wafer probing test services	JPY 221,61	JPY 31,50	18	100	JPY 221,61	JPY 168,096	JPY (5,08	Note 1

Note 1: Amount was recognized on the basis of audited financial statements.

Note 2: Excluding unrealized intercompany gains (losses).

TABLE 10

POWERTECH TECHNOLOGY INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Equity-method Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2017 (Note 2)	Accumulated Inward Remittance of Earnings as of December 31, 2017	Note
					Outflow	Inflow							
Powertech Technology (Suzhou) Ltd.	Semiconductor testing and assembly services	$ 2,149, (US$ 72,	Note 1	$ 1,522,24 (US$ 51,00	$	$	$ 1,522,24 (US$ 51,00	$ (47, (US$(1,5	100%	$ (47, (US$(1,5	$ 802, (US$ 26,	$	-
Powertech Technology (Xian) Co., Ltd.	Semiconductor testing and assembly services	2,089, (US$ 70,	Note 1	1,343,16 (US$ 45,00	746, (US$ 25,		2,089,36 (US$ 70,00	408, (US$ 13,	100%	408, (US$ 13,	2,564, (US$ 85,		-

Equity-method Investee Company	Accumulated Investment in Mainland China as of December 31, 2017 (US$ in Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (US$ in Thousands)	Ceiling Amount on of the Corporation's Investment in Mainland China
Powertech Technology (Suzhou) Ltd Powertech Technology (Xian) Co., Ltd	US$ 51,000 US$ 70,000	US$ 51,000 US$ 70,000	$22,836,486

Note 1: Indirect investments through Powertech Holding (BVI) Inc., the Corporation's 100% subsidiaries.

Note 2: Amount was recognized on the basis of audited financial statements.

Note 3: Based on the exchange rate as of December 31, 2017.